

The Management Review

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BEST IN
BUSINESS
READING . . .

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Production

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APRIL, 1951

Among the Features

Should You Pick a New Plant Site in 1951?

Big Business—Target for Termites

Financial Reports of Labor Unions

Getting Results with a Clerical Incentive Plan

Why Good Men Quit

Personalities in Labor-Management Conflicts

The Union and the Wage Incentive Plan

Pointers on Plant Security

Tough Selling Days Ahead

Tax Planning on Excess Profits

Sabotage in Peacetime Insurable

SPECIAL SPRING SURVEY ISSUE

◀ **160 Digests and Reviews** ▶

AMERICAN MANAGEMENT ASSOCIATION

The future is now

for insurance buyers . . .

AMA SPRING INSURANCE CONFERENCE

MONDAY, TUESDAY, MAY 14-15, 1951

HOTEL STATLER, NEW YORK

MORE than any other executive in business management, the insurance buyer must work in a world of the future—of what might happen tomorrow. Therefore, he needs to be sensitive to changes in the economic, political, and social climate because these shifts may seriously affect his personal and property coverages.

The Spring Insurance meeting has been programmed to give the insurance buyer answers to such far-reaching questions as: To what degree will inflationary trends in the economy affect my insurable values? What part will the proposed \$1,000,000,000 government-supported War Damage Corporation play in my insurance program? How will the industry handle claims under general property, group life, and personal injury coverages in event of the large losses associated with war? You'll want to be sure your company insurance program is being planned with the proper perspective. The subjects at the May Conference will provide that balanced point of view.

Areas of discussion include:

*The Impact of the Mobilisation Program
on Insurance*

*Business Interruption Problems in Com-
pany Operations Today*

*War Damage Corporation and Its Effect
on Insurance Buying*

*An Analysis of Multiple Location Plans
Insurance Needs Under Defense Con-
tracts*

*New Fields of Potential Loss for the
Insurance Buyer*

*The Effect of Current Inflationary Trends
on Insurance*

AMERICAN MANAGEMENT ASSOCIATION
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M. J. DOOKER, Editor; VIVIANNE MARQUIS, Associate Editor

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General Management

Should You Pick a New Plant Site in 1951?

ARE you thinking of a new plant or a plant addition—to make room for more production, civilian or military? If so, there are strong forces at work to make you consider finding a better location for your factory addition—or for your whole productive capacity. The economics of plant location is changing. There are four main reasons for choosing a new site—and they may apply to you.

First, the danger of attack is now a reality. National security demands that we cut down the concentration of industry.

Second, the government is encouraging key industries to expand for war work by giving tax concessions for new plant and equipment projects. One of its conditions, however, is that the plant location must be satisfactory to the National Security Resources Board. Clearly, this prospect alone warrants a location review for every plant with defense-related work.

Third, some areas have unused reserves of labor and, to make use of them, industry must move to those areas.

Finally, there has been a trend toward decentralization for several years, creating new markets in new places and new sources of supply.

In view of these factors, you can't start too soon to study your plant's location—to be certain you won't soon be struggling under a competitive handicap. The first step is to compare your present location or locations with specific alternatives. If you haven't been able to compete successfully in fast-growing new markets, you may want to shift part of your operation to another

section of the country—say, from the East to the Midwest or West Coast. Or a move may be wise if you could produce more cheaply by utilizing new raw material sources which have been developed far from your present location.

However, the matter of area of the country is not the only important factor. It is important to realize that, no matter what part of the country you choose, both economic considerations and national security (as well as your own security) can be served in one type of location—the small community. For you'll be safest if you're away from: (1) industrial concentration; (2) ordnance works; (3) railroad marshaling yards; and (4) key bridges or harbors.

"Small community" in the language of the location expert has a specific meaning. A city of 40,000 that is a good distance from any large industrial concentration might be "smaller" for the purpose of plant location—and better, too—than a town of 10,000 inhabitants.

There is a less obvious but almost equally important factor in favor of the small town: *labor supply*. In most big industrial areas, labor shortages already exist. They will probably last for a long time. Potential labor reserves are almost entirely in the small towns and the nearby rural districts. Too, wage rates are often lower in the small town, despite federal minimum wage laws, and the small-town worker is usually happier with his pay.

When highly skilled labor is needed, the selection of the small town for a new plant may create a conflict be-

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

tween the necessity for immediate emergency production on the one hand and future low-cost peace-time production on the other. Some companies have solved part of the problem this way: The local chamber of commerce and other civic agencies have set up vocational training schools specifically for the new industry. Still others have found that they can cut the need for high employee skill by developing new equipment and simplifying production methods. However, no matter how many locations you investigate, you can't expect to find one that has everything—all the advantages you desire, and the lowest costs for all factors affected by geographic location.

To make the best choice, start your plant location study with a thorough analysis of your present facilities and

operating conditions, your markets and sources of supply, your labor needs and wage structure, your utility and tax rates—and a host of other details. This survey serves a double purpose: (1) It reveals the strong and weak points of your present location; (2) it points up the things you must watch for in choosing another. You must then match your findings against a large volume of facts and figures describing conditions in all areas under consideration.

Compile all the data so collected for a composite *comparative* picture of each location—so that you can judge the net advantage or disadvantage of each. You may then select the one promising the lowest cost, or you may find that another has some significant advantage worth a moderately higher production cost.

—LEONARD C. YASEEN, *Factory Management and Maintenance*, April, 1951, p. B-66:3.

The "Practical Man" Fallacy

"WE HAVE too many supervisors in our organization who cannot think beyond the limits of their case experiences. They cannot project their knowledge into new areas and find solutions to new problems. They are at home only when they can apply the precedents of the past." This statement was made by the president of a major company after he had reviewed the results of an inventory of future potentialities of his supervisory organization. He was deeply concerned with the problem of finding adequate replacements for some of his aging executives. A firm believer in the policy of promotion from within, he was reluctantly coming to the conclusion that he would have to go outside of his own organization to obtain the men he needed.

Without saying so directly, this president was really hitting at the impatience of many so-called "practical

men" with theory. For this attitude of mind there are a number of reasons. Foremost is the fact that successful executives, whose example and teaching must necessarily carry great influence, have usually been conditioned by many years of practical experience. By the time they approach the top they are very likely to attribute their achievements to unique personal qualities rather than to adherence to principles which can be written down and passed on for the benefit of comparative apprentices in management.

This belief is not wholly without foundation. We do not become good managers simply by acquiring a body of knowledge, or by mastering the theory of administration. Many excellent foremen have very little learning in the latest theory of the subject. They are like the good general practitioner who has forgotten most of what the medical schools taught him,

but in the interval has learned much that they could not teach him. But we will be better managers, as a doctor will be a better doctor, if we are able to keep abreast of the latest thinking in our field. Practice entirely divorced from study is as likely to be limited in its results as is study undisciplined by practice.

The "practical man" who rebels against theory at a time when industrial problems are becoming more complex will some day find himself unable to qualify for promotional opportunity ahead. He may be compared with the American Indians who taught the early settlers to put a fish in each hill of corn. All the Indian knew was that it produced a better crop—he did not

know why. He was unprepared to apply his chance discovery to other crops because he lacked a knowledge of the theory of fertilization. The chemist has long since learned why the Indian's corn crop was improved by the use of the fish. Practical farmers everywhere who are willing to listen to the chemist's theory have seen their fields yield more abundantly. An understanding of the principles underlying successful action enables us to predict with greater accuracy what will happen in a new situation. Our field of responsibility will not be limited to the areas bounded by past experience, if we make intelligent use of theory in our management activities.

—WILBUR M. McFEELY. *Bulletin of the National Council of Industrial Management Clubs* (291 Broadway, New York 7, N. Y.)

The Strategy of Leadership

THE MEASURE of one's skill as a leader is the ability to get others to see what needs to be done and to decide to do it for themselves—in other words, to impel rather than compel. The impelling leader does not sit on the throne and issue orders. He realizes that leadership is a two-directional affair. He develops the wishes of those he leads. He is then in a position to follow those wishes as the direct path to his goal.

The following are six specific steps for the leader to take:

1. *Plan far ahead*, so that followers may reach their own decisions before an emergency arises. The impelling leader needs more foresight than the compeller. Short-range plans cause emergencies. Emergencies call for blunt orders. Blunt orders weaken the leader's power over others.
2. *Arrange events*, as subtly as possible, to assist the followers in reaching their decisions. Decisions are not left to chance or to outside influences. Ideas are planted to start the followers thinking.
3. *Keep problems alive*. The impelling leader does not nag or harp on a problem, but he does keep it in the fore by demonstrations and by planting more ideas.
4. *Keep your own plans a secret*. The impelling leader does not spout his own opinions and ideas; he asks for the other person's. This leaves the "yes-man" in the dark, and keeps the others from feeling they are just rubber stamps for the boss.
5. *Welcome new ideas*. As the impelling leader stimulates others to reach decisions, he is multiplying abilities and getting other view points. He should not be embarrassed if the "little people" sometimes think better than he does. He should feel flattered that his impelling strategies are helping develop little people into bigger ones.
6. *Act promptly* when the right decision is reached. Become a man of action in carrying out the decision which you have slowly and patiently helped your followers reach.

—DONALD A. LAIRD in *Purchasing* 11/50

Big Business—Target for Termites!

IT SEEMS to me that there is more confusion and uncertainty among our people today than ever before. We are convinced that no foreign aggressor is able to destroy us; but we are a little afraid that we may destroy ourselves. Much of this confusion would disappear if only we could see ourselves as the Kremlin must see us.

If we were the masterminds of Moscow, I think we all would agree that the real source of America's strength is her tremendous productive capacity. We would realize that this productive power lies in the fact that all the individual parts of that machine—big and small—work together in unison—each doing the exact job for which it is best fitted. So, we as Russians would conclude that our first task is to disrupt that machine. Until that had been done, I do not think we would want to start a total war with the United States; and if it could be done, we would not need to fight a war at all.

There is only one weapon which we could hope to use effectively for the destruction of America's industrial machine. That weapon is the Red Army of Trained Termites. It numbers from 50,000 to 100,000, and it is already here, infiltrated into virtually every branch of the American economy. It is invisible because—outwardly—its members look exactly like anyone else.

Certain techniques are elementary. The termites will naturally seek to fill the labor press with savage attacks upon management. That will create unrest and help them to foment a succession of strikes which will paralyze—briefly, perhaps, but repeatedly—America's communications, transportation and production. They will try to turn

housewives against the farmers; farmers against labor; business against the government; and government against business.

The primary job of these termites is the destruction of the American industrial machine. There is just one thing that distinguishes American industry from that of other nations: America's most powerful non-secret weapon—so-called Big Business. Here is the focal point upon which the termites must center their attack. They must not only destroy public confidence in Big Business; they must create positive public hatred of it. They must proclaim that Big Business is inefficient and monopolistic, and that it possesses some vast, but unexplained power to work terrible, but undefined, harm upon the "little people."

Most important of all, the termites must break up the unity and teamwork of the industrial machine by driving a wedge between Small and Big Business. They must depict Big Business as a monster which swallows up Small Business. Never must they let anyone discover that Big Business and Small Business are two halves of the same vital body; that if one-half is hacked to pieces, the other will surely die! I am not suggesting that anyone who disagrees or who attacks business or industry is necessarily a Communist or a dupe, however.

Full freedom of speech—a free press and a free radio—are our greatest defense—and our only effective defense—against the termites; for as long as these rights exist, our people will somehow manage to recognize and know the truth.

—BENJAMIN F. FAIRLESS in an address before the Sales Executives Club of New York.

Strike Back — Give to Conquer Cancer!

Some Detective Work on Economics

FOR MANY YEARS we have looked in vain for a simple explanation of why the tools of production always turn out more and better goods at lower costs when they are owned and operated by private individuals.

In a recent biography of Raymond Schindler, the famous private detective, we found what we have so long sought.

He was once asked how he is able to succeed where highly intelligent, highly trained police forces fall down. Here is what Mr. Schindler wrote:

"Why does a private investigating agency often succeed where the police fail? The answer is simple, and in no way compromises the worth, integrity or ability of the average policeman. A cop doesn't have to produce results. All he has to do is to avoid mistakes. He can go on for years, rise from pounding a beat to detective sergeant and higher. So long as he doesn't trip over something, or stick his neck out, or talk back when strategy counsels a tight pair of lips, he eventually retires honorably and settles down to his little garden patch in the suburbs. A private detective must get results. They are his stock in trade, the goods on his shelves, the dressing in his window. Let him stop getting results and he stops getting cases. It doesn't mean that the private investigator is necessarily any more alert or intelligent than the public investigator. It is simply an affair of bread and butter."

This is a perfect explanation of why government-operated enterprise is never as efficient as private enterprise: A government enterprise doesn't have to produce results.

—FRED G. CLARK and RICHARD S. RIMANOCZY in *Manage* 3/51

No. 1 Region of Opportunity

THE SOUTH is booming and must now be considered the nation's No. 1 region of opportunity. The American Society of Mechanical Engineers was told recently by Col. Frank F. Groseclose of the Georgia Institute of Technology.

Once termed the country's biggest economic headache by Franklin D. Roosevelt during the early days of his presidency, the land of black-eyed peas and magnolias now shows greater increases percentage-wise in the value of manufactured products, value added by manufacture, and per-capita income during the past ten years than the United States as a whole. At the same time, the increase in actual annual expendable income in the South since 1940 was 357 per cent, the greatest in the history of the nation. And it's only the beginning of what the South can do with the labor, natural resources, markets and power facilities at its command, said Col. Groseclose.

"And what is especially significant," he added, "the savings of the average Southerner more than trebled in the decade from 1939 to 1949. This means that there is a ready market for the products of Southern factories right here in the region—a market consisting of more consumers with greater purchasing power than ever before."

CONTRARY to the fears expressed by some that American business is developing into fewer and larger firms which will gain a stranglehold over the economic life of the nation, the facts in the case indicate otherwise. The Bureau of Internal Revenue's latest report on corporation income tax returns shows that 80 per cent of American corporations filing tax returns in 1945 were not in existence prior to World War I. One-fourth of them were incorporated in the years 1940 through 1945. About 70 per cent of the firms were 20 years old or less and nearly 90 per cent were not over 30 years of age.

—*Economic Intelligence* (U. S. Chamber of Commerce) 4/51

How Smart Can You Make a Labor Union?

THE United Auto Workers and General Motors made headlines in 1948 by signing a contract that called for a cost-of-living adjustment. Our men in Oak Lodge and Maple Lodge of the International Brotherhood of Paper Makers (AFL) must have thought they had been given some old newspapers, for Rogers Corporation had instituted a cost-of-living adjustment in 1942.

That took care of stabilization of employee purchasing power. Later, we added a dynamic, "no ceiling," incentive program which calls for employee participation in productivity gains. This provides for improvement of employee standard-of-living.

One reason Rogers and its locals were so far ahead is that we spend a lot of time with our people—not wrangling but learning. We even try to get our men to know how to read a balance sheet, which is more than most corporation stockholders can do.

It's not that we think we're uniquely clever (except about our products!); it's just that we continuously keep in mind the difference between our men and

our machines. We never stop to reason with the machines—we get right in there and change them. But we never hesitate for an instant to reason with employees. We play it straight with them, so they play straight with us. For instance:

If a grievance is brought into one of our labor-management sessions, we don't "take it under advisement." We appoint a two-and-two committee on the spot and send them out of the room with instructions to bring back a report within 20 minutes, if that's possible. Grievances rarely become "Old Business" for next month's agenda.

That sort of thing pays off in other ways, too. If a man gets that kind of action out of management, and is made a part of the action, he can't help but carry the same sort of "let's get going" spirit into everything he does in the plant. And that pays off for our customers, who can buy more, so we can pay the men more for doing their jobs better. And that's a cycle that's far from "vicious"!

—From *Here's Rogers and Its Fiberloys*, Rogers Corporation, Manchester, Conn.
(Single copies available from company on request.)

Public Relations and the Labor Question

WHEN the question is asked, what should the company public relations man do in case of a strike, it is necessary to ask, what did he do before? Public relations is not something that can be applied to labor trouble, or withheld, because labor trouble is public relations. It is essential that the public relations man see in advance and recognize in practice the integral character of labor and public relations.

In most cases, however, neither labor nor industrial relations men conceive of public relations as more than publicity. To the industrial relations man

who is willing to concede that there is something more to public relations than publicity, the matter is still vague. He does not realize that public relations can be the right arm of labor relations and that with its aid he can move to higher ground. The burden for improving this situation should be assumed by the public relations man, in as much as he is newer in the picture and needs to explain himself.

Though a strike may accidentally provide an opportunity for closing this gap, much better is the setting in motion of forces that will promote con-

tinued understanding between those involved in public and labor relations and reduce the causes of strikes. The public relations man can help achieve this goal in several ways.

He can educate the public to circumstances as they actually exist. The public is a large body that moves slowly most of the time. Even a community surrounding an industrial establishment takes its time in making up its mind about the industry. And though reputations are lost more quickly than they are made, one that is the product of thorough indoctrination is tenacious.

In dealing with employees, the public relations man can improve labor relations by making things clear and making them convincing. The organized wage-earner usually gets more information from his union than from management; and what he gets from his union he is more likely to believe. Some who have had experience contend that management must tell its story publicly whenever the unions do. However, despite proper timing, the correct medium, and an appropriate message, this effort may be futile if the message lacks credibility. This brings us to a third function of the labor relations man.

Credibility, without which effective communication is not possible, is derived from faith, confidence, and loyalty. These are the product, in large part, of industrial relations policy. If this policy is benighted, public relations will be embarrassed. But it still does not need to be hamstrung, for it can let it be known what a good industrial relations program is; a bad program may then become untenable. Smart public relations leadership can guide industrial relations departments in getting policies defined and attitudes established where none existed before. In addition to telling the public about the company, the public relations man can interpret to the company what people know and how they feel about the issues of human relations. In treating the working force of his own company as a part of the public, he will need all his natural persuasiveness to convince some segments of management that he is not trespassing. If he is a man of fiber, he will insist that the field of human relations is not posted territory. And if he is a man of perspicacity, the outcome might be a lasting liaison between public and industrial relations.

—MARTIN DODGE. *Public Relations Journal*, March, 1951.

Get the Facts

TO LEARN what employees are thinking, go into the shops and find out. The board of directors and officers of Allis-Chalmers have demonstrated this attitude in a positive fashion since the war and are being fortified with information seen through their own eyes before rendering decisions vital to the welfare of the company.

Periodically the board and officers visit one of nine Allis-Chalmers plants where monthly meetings are held and shop tours made. The board, made up of representatives of varied occupations, takes an interest in talking to shop employees in the various plants.

Besides learning first-hand the various occupations within a certain plant, the board also performs a community relations function. At noon the members sit down to eat with the local city officials and other industrialists in the community. It is the policy of the board to mix with the various people who have been invited to meet and talk over common affairs. In this way, Allis-Chalmers' top management is able to learn first-hand just what the people think of the company.

When the board of directors meets in the home plant of Milwaukee and a

problem concerning a certain works comes to its attention, it is able to analyze the situation much more clearly and to reach a decision more easily.

It also gives a normal boost to employees in the various works, since they are able to see the men who make the company decisions and policies.

—*Dun's Review* 2/51

It's a Big IF

IF YOU HAVE THE GOOD SENSE— . . . to direct all of your talents to your job, rather than to personal gain . . . to strengthen your ability to work with others in true team spirit . . . to maintain a sense of humility instead of allowing yourself ever to be overbearing . . . to refrain from "playing politics" or being party to harmful gossip . . . never to "pass the buck" or over-emphasize by word or deed your own part in any successful undertaking.

IF YOU HAVE THE FACULTY— . . . of searching out facts upon which to base your decisions and making these decisions promptly after sufficient thought and study . . . to manage through reason instead of through emotion . . . of getting things done through others . . . of concentrating your own efforts on administration and supervision and allowing those under you to do their work without needless interference, to develop their own resourcefulness and initiative.

IF YOU HAVE LEARNED— . . . how to relax under pressure . . . to curb anger . . . to preserve the moral and mental balance needed for dealing with people . . . to be sympathetic and helpful to everyone, always realizing that in times like these almost everyone carries a burden of one kind or another.

If you can do all these things, you will be a great executive, equal to the best and on your way to a bigger berth in your chosen field.

—*The Pick-Up* (United Parcel Service) 2/51

How to Win Friends Among Your Workers

IN THE NEXT few (or perhaps many) months, management and employees are going to know each other better. Employees may look to Washington for the national mandates, but they will look to the boss for the interpretations. The more the boss presents himself as a human being, sharing ideas and opinions with his people, the more quickly he will get the cooperation he requires.

The boss can start things off by informalizing his communications with employees, by writing as plain men talk in his employee publication editorials and in his management newsletters. But his best bet is to get out in the plant in person, to see and be seen. His argument that the pressures of the times won't permit such tours is a weak one; the boss is interested today primarily in production, and the people in his plant are the only ones who can give it to him.

—ROBERT NEWCOMB AND MARG SAMMONS in *Advertising Age* 2/5/51

28th ANNUAL GENERAL MANAGEMENT CONFERENCE

The 28th Annual General Management Conference of the American Management Association will be held on Thursday and Friday, June 7-8, 1951, at The Waldorf-Astoria, New York City.

Sam A. Lewisohn

March 21, 1884 -- March 13, 1951

The Association notes with deep regret the passing of Sam A. Lewisohn, prominent industrial leader, a founder of the AMA and its first elected president. Mr. Lewisohn died on March 13, while vacationing in Santa Barbara, California.

Mr. Lewisohn, who was President of Miami Copper Company and Chairman of the Board of Tennessee Corporation, was born in New York City, the son of the late Adolph Lewisohn.

He graduated from Princeton, Class of 1904, and Columbia Law School, 1907, where he was an editor of the *Columbia Law Review*. After graduation he went to the well-known firm of Simpson, Thacher and Bartlett where he worked for two and one-half years as a lawyer under Dwight W. Morrow. He then joined his father's firm of Adolph Lewisohn and Sons, then members of the New York Stock Exchange. Mr. Lewisohn became the head of a number of mining companies, among them South American Gold and Platinum Company, General Development Company, and Kerr Lake Mining Company. He was a Director of the Equitable Life Assurance Society.

Mr. Lewisohn was known not only as a financier and industrialist but as a philanthropist, a patron of music and art, a penologist, and a humanitarian. To AMA members he was known particularly as a business thinker devoted to improving employer-employee relations. His book, *The New Leadership in Industry*, published in 1926, was far ahead of its day. It was also published in French, German and Japanese.

Mr. Lewisohn became president of AMA in 1923, and held the post until 1926, when he was chosen Chairman of the Board, a position he held for ten years. His active interest in the Association continued until the time of his death. On the occasion of the 25th Anniversary of the AMA in 1948, its officers, in paying special tribute to Mr. Lewisohn as a guiding force in the formation and development of the Association, declared, "All who have witnessed the ultimate development of AMA would acknowledge the special debt of the AMA and its predecessor organizations to Mr. Sam A. Lewisohn. No employer was more persistent in words and actions in promulgating enlightened attitudes and policies in the field of human relations in industry. . . ."

Mr. Lewisohn is survived by his wife, Margaret Valentine Seligman Lewisohn, his four daughters, Dr. Marjorie G. Lewisohn, Mrs. Sidney Simon, Mrs. Julian C. Eisenstein and Miss Virginia Lewisohn, and three grandchildren.

Turning a Plant Removal "Crisis" into Opportunity

PEOPLE don't usually toss their hats in the air and yell "Hurrah!" when told their place of work is moving to some other city. But if things are handled deftly, a *desire to move with it* can be created. And people who say "I want to go!" have really made up their minds in favor of the company.

This explains why one company is having over 200 technical employees interviewed as part of a communications drive to "sell" them on the new location. The impending removal brings all kinds of situations to a head: employees review not only their in-plant relations and job attitudes, their social life and ties in the community, but also the basic decision as to whether it is best for each as an individual to "go along" with the company. *No other time* in an employee's life can quite equal such an occasion for a valid, searching attitude survey.

Some companies, dreading the issue, wait until the last possible moment to announce such a change. Not so with this organization. It revealed the decision to move *a full year in advance*. Complete details about the new location—including schools, churches, housing facilities, retail stores, taxes, health, clubs and fraternities, recreation, news-

papers, railroad timetables, road maps, etc.—were compiled in three-ring binders and furnished to each employee. Included was a questionnaire covering such points as: family status and number and age of children; present address, including travel time to plant; present or prospective car owner; home owner or tenant; amount of furniture to be moved; kind of housing preferred at new locations; reasons against moving.

Every employee was asked "Do you wish to be interviewed, to discuss your plans in detail?" As a result, employees and their wives, or husbands, are arranging in large numbers for private talks. *The information and attitudes* brought out by the interviews are saving the company thousands of dollars in terms of workers retained. Truly responsive policies covering the needs of affected employees have been created. Executives estimate that every replacement that would otherwise be needed would cost from \$500 to \$4,000, depending on the nature of the job, training time involved, etc.

Results are so favorable that enthusiasm for moving is spreading through the plant, and some contingents are already shifting to the new location—nine months ahead of schedule.

—*Management and People Newsletter* (Fisher and Rudge), March 8, 1951, p. 3:1.

The Care and Feeding of Ideas

THE word "management" has meant many things to many people. To a vast number, management means "the company." To an even larger number, it means "the boss." Some confuse management with stockholders—others with the board of directors. Still others identify management with money or financial power. Workers everywhere

look to management for jobs. None of these definitions of "management," however, recognizes its true function as an idea-using enterprise.

Just as, with a child's birth, parents are born—so with the birth of an idea, an opportunity for management is born. Just as a child has parents for its care and feeding, so with ideas management

serves this vital function. The processing of ideas brings management into existence; their nurture is management's positive reason for being. This function, however, demands the full range of management's talent, for the process of growth by which an idea is changed to reality is frequently slow, often discouraging, invariably costly, and inherently complicated.

It may be said first that ideas are met, as a rule, by a rude climate. The cold breath of disbelief withers and cuts them down. People are not enthusiastic for change; they may even dislike change. Secondly, human nature is such that new ideas are immediately confronted with an imposing array of reasons why they should be discarded at once. It is a responsibility of keen management to determine what

may be found in an idea, to discover if it has a germ that may be made to grow successfully. Thirdly, if an idea is to live at all, it has to be given away. If it cannot be acquired by other minds, it will probably die. Enthusiasm and interest in it must be felt by all the minds needed to give it life and growth and stature. Even a rude and unbecoming "brain child" may be changed into one of practical value by seeking for a way to make it work, by looking at each idea for its possibilities rather than solely for its impossibilities.

Management's job is to create circumstances and an environment which will help ideas to be conceived and born. There is no task in life which day by day needs more insight, more application, more wisdom, and more tolerance and patience.

—From an address by CURTIS H. GAGER (Vice-President, General Foods)
before the American Marketing Association.

Basic Economics Ads

A PERTINENT BOOKLET, *Raindrops of Understanding*, has recently been distributed by Armco Steel Corporation of Middletown, Ohio.

Each month Armco's internal, *The Armco-Operator*, carries a back-cover ad on the American Free Enterprise System. Because of the great demand for copies of these ads, the company has reproduced 22 of the more than 50 ads developed since the series began in 1945 and has assembled them in booklet form.

The purpose of the ads is to give each employee an understanding of company economics as they affect his job. The series is part of a continuous fifty-year program at Armco for "taking the mystery out of business."

Permission to reprint or adapt any of the ads will be granted upon request to Armco's director of public relations, Hugh W. Wright.

—Stat 3/51

Making Printed Matter More Legible

OF INTEREST to all concerned with the buying or production of printed matter (and this, of course, includes employee literature) are the tests of legibility made by the Better Vision Institute. As between material printed in all-capitals and in small letters, the results, as measured by speed in reading, show a superiority of 12 per cent in favor of small letters, or, more properly, lower-case type. The tests have also indicated that a type-line about 3 1/5 inches long provides the easiest legibility.

A person with seventh-grade education should be able to read about 230 words a minute, a high school student from 260 to 300, and a college senior from 300 to 350.

—Science Digest 8/50

Financial Reports of Labor Unions

MANY AND varying opinions have been expressed over the years as to the amount and quality of the stewardship and reporting made of union financial resources by union officers to the members or to the public. A recent study by George Kozmetsky of the Harvard Business School* attempts to determine what unions have actually been doing about financial reporting by examining the nature and content of the reports themselves. The author based his findings on interviews with officials of 27 international unions, analysis of over 100 financial reports and study of more than 150 official union publications with reference to financial reporting.

Principal findings are summarized below:

First, union financial reports are detailed as to their receipts and disbursements. Second, union financial reports do not present clearly all the activities of the union or their cost. Though receipts and disbursements are set forth in detail, the detail does not necessarily help the membership and the public ascertain either the cost of union activities or the exact nature of those activities.

Unions have devoted much time and effort to maintaining a high standard of honesty in the handling of funds. International union reports are generally audited by independent certified public accountants. However, not much attention has been given to the manner in which union financial reports are presented. Most unions pre-

sent the same report to the public as to their membership. Little attempt is made to address the report to different readers, as is done by some business firms where separate reports are presented to the stockholders and the employees.

All unions do not use the same accounting practices. Little emphasis has been placed on building up "generally accepted accounting practices" similar to those used in business.

Union reports are widely distributed. Even before they were legally required to do so, most unions provided in their constitutions for presentation of their reports to their members. In general, unions are willing to make their reports public, and some few make them directly available to employers.

Administrative use of financial reports by union leaders has been negligible. Union accountants have not generally turned out, and union leaders have not generally demanded, reports specifically designed to help administer the union effectively.

The study found that the many different methods of reporting assets, liabilities, income, and expense lead to confusion and misunderstanding. The author believes, however, that the varied accounting practices and financial statements are not the result of a deliberate attempt to misrepresent the facts or to mislead the public. Rather, they are the natural outgrowth of the rapid increase in size, the necessary concentration of leaders on activities which have not required elaborate accounting, and the primary concern of the members with the honest handling of their funds.

—*The Controller*, March, 1951, p. 126:2.

* *Financial Reports of Labor Unions*, Division of Research, Harvard Business School, Boston 63, Mass. 280 pages.

Strike Back — Give to Conquer Cancer!

U. S. Representation at 9th International Management Congress

AS THE TIME NEARS for the beginning of the 9th International Management Congress (Brussels, Belgium, July 5-11), more and more business executives are making plans to attend. The Congress will bring together representatives of management from all over the world to discuss management principles, techniques, and philosophy in the light of current domestic and international management problems.

In urging business executives to attend, Harold Smiddy, Vice President, General Electric Company, points out that, "the Congress this year is a determined bid by private enterprise the world over to counteract Communist propaganda. It is worthy of every single management man's utmost attention." Since elevating the Western European living standard can best be done by increasing productivity, the one method of accomplishing this is by exporting American managerial techniques. "The only way we can assure this," he said recently, "is to have help from American management leaders. Many, many top industrialists will attend, but we need more and still more."

Mr. Smiddy is also Vice President of the National Management Council, which represents leading management groups, including AMA, at this Congress. NMC is in charge of American representation.

AMA members who wish further information about the International Management Congress should contact Patrick E. Nieburg, Director of Services to U. S. Management, National Management Council, 501 Fifth Avenue, New York, New York.

Radcliffe Expands Management Training Program, Offers Fellowships

SINCE ITS INCEPTION in 1937, Radcliffe College's Management Training Program for women has received more demands for its graduates than it has been able to meet. For this reason, and because of the increasing need for women administrators resulting from the national emergency, the program's usual enrollment of 40 students will be increased in 1951-52 to 70 students between the ages of about 21 and 30 years. As in the past, a limited number of fellowships are being made available to exceptionally qualified applicants who would otherwise be unable to bear the cost of the training.

The Management Training Program is a one-year graduate course teaching essential techniques of line and staff administration, including personnel management. It provides approximately six months of academic work coupled with 10 weeks of apprentice field work in two contrasting organizations. The academic schedule includes study in the areas of human relations, personnel administration, current economics, management problems and objectives, accounting, marketing, retailing, public administration, etc. Graduates of the course are holding administrative positions in business and industry, government offices, social service institutions, and educational establishments.

For further information address: T. North Whitehead, Director, Management Training Program, Radcliffe College, Cambridge 38, Mass.

THREE-QUARTERS of the American people neither share the government's fear of large companies nor favor government attempts to break up certain large companies into smaller units. They believe large companies should be encouraged or let alone. This was revealed in two recent surveys conducted by The Psychological Corporation, in 124 cities and towns from coast to coast. Specifically, 48 per cent of respondents said large companies should be encouraged; 25 per cent said they should be let alone; 11 per cent said they should be watched; 2 per cent said they are dangerous and should be broken up; 14 per cent were uncertain.

Also Recommended . . .

GOING TO CELEBRATE? DO IT PROFESSIONALLY! *Industrial Distribution*, April, 1951. A detailed case account of how one company, Beals, McCarthy & Rogers of Buffalo, enlisted the aid of experts to insure the success of its 125th anniversary party and attracted more than 4,000 guests, despite adverse weather conditions. "Professional" help included use of an advertising agency to prepare announcements and anniversary booklets; a mailing list house to handle sending of invitations; a convention bureau for registration of guests; partolmen for handling of crowds and property protection; a caterer for preparation and serving of refreshments; a display setup group for construction and decoration of booths; and many others. Staging such events successfully, say company executives, is simple if you know how to spend money—not waste it.

A GOOD SURVEY CAN BE WASTED IF THE REPORT AND RECOMMENDATIONS ARE NOT CONVINCING. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), March, 1951. Helpful guides to the preparation of reports for management following a survey or investigation. Of particular value are the suggestions for injecting sales appeal into the final "recommendations" section of the report. This is the third of a series of articles on conducting investigations for methods improvement and translating the results into action.

CURB INFLATION WITH A PURCHASING-POWER BOND. By Sumner H. Slichter. *The Commercial and Financial Chronicle*, March 15, 1951. Pointing out the faults in current proposals for price controls, Professor Slichter maintains that the need for a higher rate of personal savings can be met by the government's issue of savings bonds payable in fixed amounts of purchasing power; he also advocates a tax-exempt savings bond.

REHEARSAL FOR MANAGEMENT. By T. H. Windibank. *The Manager* (Management Publications, Ltd., Management House, Hill Street, London, W. 1), February, 1951. Summarizes seven years of experience of Crompton Parkinson, Ltd., a British firm, with a junior board of directors which has been outstandingly successful in meeting the two objectives for which it was created: (1) to contribute to the general improvement of the company's methods of conducting its business, and (2) to broaden the education of the members of the junior board in the science and art of management. Outlines in detail the terms of appointment to the junior board, its organization and leadership, its activities to date, and its relationship with higher management.

SPECIAL REPORT ON PLANT SECURITY AND PROTECTION. *New England News Letter* (The New England Council, Statler Building, Boston, Mass.), March, 1951. Presents the more important features of a program of plant security and protection, following recommendations made by speakers at the recent Conference on Plant Security and Protection sponsored by the New England Council. It is estimated here that an expenditure of about \$10 per employee will provide 75 per cent of the essential protective measures in plants of 300 workers or more. In smaller plants, of 50 to 300 workers, the cost will be around \$20 per employee.

A MARKETING VIEW OF GUNS AND BUTTER. *Cost and Profit Outlook* (Alderson and Sessions, Broad and Walnut Streets, Philadelphia 2, Pa.), January, 1951. The general theme developed in this article is that we can and must have both guns and butter. Declaring that we are mobilizing for a generation and not for a campaign, the writer contends that we must plan for the steady expansion of the civilian economy throughout that period.

TESTED COMMUNITY RELATIONS. By Hugh C. Higley. *Public Relations Journal*, April, 1951. The author lists 15 tried projects found useful for good community relations at Ansul Chemical Company.

THE INTEGRATION OF ORGANIZATION AND MANAGEMENT. By R. T. Livingston and D. B. Hertz. Preprint of an address delivered before the Spring, 1951, meeting of the American Society of Mechanical Engineers (29 West 39th Street, New York, N. Y.). Copies available from ASME; non-members, 50 cents, members 25 cents. The authors outline some premises upon which an integrated theory of organization and management may be constructed and present some tentative hypotheses which may form a part of such a theory.

HOW BROWN-FORMAN'S "JUNIORS" ARE QUALIFYING THEMSELVES FOR PROMOTION. *Sales Management*, April, 1951. A group of junior executives of Brown-Forman Distillers Corporation, at the invitation of the president, recently took upon themselves the responsibility for setting up a training program for junior executives. These men have developed a dual plan to prepare themselves for better management positions and to train company personnel for bigger jobs in the organization.

Office Management

Equipment and Working Conditions in America's "Best Offices"

REPORTS from a survey to find 100 of America's best offices reveal excellent progress in providing better tools, modern furniture, and improved working conditions in both large and small offices everywhere.

Evidence of office improvement is seen in the figures on year-round air conditioning and acoustical treatment. Of 298 companies that had been selected as deserving candidates for the list of 100 of America's Best Offices, 200 had all-year air conditioning while more than 70 per cent had major acoustical treatment.

Obviously, American office workers are suffering from much less eyestrain and fatigue today than a few years back. In 241 of these companies, average office lighting is 42 foot-candles. Though this is ample for some types of work and insufficient for others, the big thing is: Improvement is evident.

In a completely different type of equipment — typewriters — the trend seems definitely to electric machines. Though 86 per cent of typewriters in use today are manual, many companies are converting to electric machines as fast as old manual machines are worn out and ready for trade-ins.

Dictating equipment has become

practically standard in all offices. Recording machines, other than correspondence dictating machines, are reported in a considerable number of offices also. Many companies have several kinds of dictating machines in use, but the two leading and older brands are by far in the majority.

With rental, operating, and maintenance costs what they are today, many offices are surprisingly roomy. In 259 offices, 146.6 square feet per person is allotted to employees, although, as a rule, general office workers need less than 100 square feet per person—more nearly 70 to 80 square feet after special-purpose rooms such as lounges, cafeterias, recreation rooms, and similar space are subtracted.

All this improvement in working conditions, tools, methods, systems, and furnishings is not the slightest evidence of any wave of generosity or altruism on the part of business management. It has paid off handsomely in every company where figures were available. Estimates as to the time required to liquidate new offices from savings vary from one to 10 years. A rough estimate, however, indicates that the average company executive believes that completely new offices will return the entire investment in four years.

—*American Business*, Vol. 20, No. 12, p. 14:3.

Getting Results with a Clerical Incentive Plan

A GOOD incentive plan will not only reduce costs but will enable you to increase production without additions to your present staff. It will also

solve the problem of your employees' desire for higher wages by providing them with more take-home pay. Those who are operating clerical units and are

not acquainted with incentive plans will find the results startling.

Our experience at Aldens illustrates the benefits of an incentive installation in office work. In the middle twenties, Aldens decided to install an incentive plan which was to include all clerical departments as well as merchandise-handling operations. The first unit selected for installing the plan was the Mail Opening Department. In the opinion of management, the operations of this department were at a high level of efficiency. This high productivity was especially true of four key employees in the department who were considered to be its top producers. Initial studies, after installation of the plan, rated these key employees at 31 per cent efficiency! Without going into detail over the pros and cons as to the value of the plan, management decided to install it on a test basis.

Within two months production within the department had increased considerably. By the end of six months, departmental production had doubled, with a proportionate decrease in costs. This is not an outstanding example, for practically the same results occurred throughout our clerical departments. They proved conclusively that controls based on past records or on an individual's own concept of production

rates are invariably set too low, resulting in increased costs and wasted manpower.

The decision to install an incentive plan is a major one. Initial costs are high, managers and supervisors fear that they will suffer in the eyes of top management if their present production levels are proved to be far too low, and the employee fears that he will be continually pushed to greater outputs with little added compensation. Also, many management groups feel that office work is not measurable and cannot be controlled through accurate standards of production measurement.

The fears of management and employees can be overcome by a good selling job. A frank, open discussion should be held and the entire plan outlined and discussed. After a fair trial period, both groups are usually convinced of the value of the plan. As to management's objections to incentive plans in office departments, I can only cite our experience at Aldens. We have averaged approximately a 30 per cent increase in production with a 20 per cent increase in employees' pay. The production increase represents greater output with no additional manpower—a very important item in our present labor market.

—T. W. SMITH (Manager, Operations Control Dept., Aldens, Inc., Chicago, Ill.)
The Office Economist, Vol. XXXIII, No. 2, p. 7:1.

New High-Speed Facsimile System

IT WOULD TAKE JUST 45 seconds to send a typed or handwritten letter on regular 8½" x 11" paper anywhere in the United States via Western Union's new "High-Speed Fax," which the company terms a major development in the communications field.

Transmission and recording in finished form of 3,000 words a minute or 180,000 words an hour (as against 3,000 words per hour on teletype) with no advance preparation or processing are special features of this latest facsimile unit. This rate of transmission is ten times faster than the company's Desk Fax, which is used to send telegrams between 12 cities in the nation.

Initial installations are expected to be used by the Armed Forces, but the company plans to continue its experiments to perfect the equipment for industrial usage.

Estimated cost of the complete transmitter-recorder unit is \$6,000, exclusive of radio or wire connection.

—*The Wall Street Journal* 3/14/51

How to Decide Whether to Use Microfilm—And How to Go About It

MICROFILMING has been used increasingly to effect savings in time, labor and costly accounting machines; and the need for safekeeping due to the present emergency is encouraging still more companies to put their records on film. Before you decide to microfilm, however, there are many factors to be considered.

First, the need for microfilming should be determined. There are two basic conditions under which microfilming should be undertaken: (1) *Security*. Minutes of meetings of the board of directors, major policy directives, fiscal and ownership documents, and documents in transit fall into this category. (2) *Economy*. A demonstrable need for the data should exist for so long a period that storage costs exceed microfilming costs; or, the microfilming operation can be substituted for some other operation, thereby furnishing both a record and a product at the cost of only the former. It is in this area that the potential user will gain most financially if he obtains objective advice regarding his records problems.

If management has decided to evaluate company records for microfilming purposes without outside assistance, it should consider the following factors: (1) *The state of completion of the file*. Microfilming cannot be successfully applied to files or records where entries have to be made on a continuing basis. (2) *The size, color, and condition of the records*. Forms more than 14 inches wide require slower, more costly cameras. Forms printed in certain colors will not photograph satisfactorily without special treatment which slows production. (3) *The cost of the equipment used in storing records*. If microfilming can defer or make unnecessary the purchase of special or custom-built equipment, it can usually be justified. (4) *The cost of the floor-space records occupy and the length of time the records must be re-*

tained. If records have to be retained permanently, or for long periods of time, filming can usually be justified irrespective of storage and equipment costs.

When a decision has been made to microfilm, either of two courses may be followed: (1) *Rental or purchase of equipment, with use of company employees*. This procedure is desirable when the records must be microphotographed on a current basis, or when the quantity of records involved is relatively small. Experienced and competent supervision and personnel are of course required. (2) *Service Contracts*. These are desirable when a sizable backlog of records is to be photographed or when the contemplated microfilming is on a "one-time" basis. Work done on a service-contract basis should include responsibility for all matters pertaining to the arranging, indexing, microfilming, and inspection of the film, with the contractor responsible for the inspection and, if necessary, re-filing of documents, for the removal of staples and paper clips, and for designing and inserting appropriate targets at proper intervals on the film reel. The service contractor should also assume responsibility for inspecting all the film images in order to insure that they are legible and can be properly reproduced.

The cost of service microfilming varies, depending upon the records to be filmed. It is possible to estimate closely the entire cost of a microfilming operation when it is performed on a service basis, since the quantity of records multiplied by the guaranteed price per thousand images is the entire cost. However, when the work is done by an organization using its own personnel and equipment, the cost is difficult to estimate; such important factors as preparation of the documents, rearrangement of the file, and, in some instances, removal of extraneous material

must be considered, and these often cost more than the rest of the operations put together.

As a rule, microfilming will never prove extravagant if the following steps are followed carefully:

1. Determine preservation value of records.

2. Separate for other treatment those records which should not be micro-filmed.

3. Determine technical feasibility of microfilming records to which reference would be infrequently or possibly never made.

4. Determine the best system to follow in the actual filming operation, indexing, etc.

5. Accurately estimate costs to offset the space, risk, and equipment to be saved.

—IRVING ZITMORE. *The Journal of Accountancy*, February, 1951, p. 276:8.

Found: 6,000 Square Feet

THE BANKERS LIFE COMPANY of Des Moines, Iowa, has added approximately 6,000 square feet to its working office space since 1946 with no investment whatever in building or rental.

This extra space, which furnishes working area for approximately sixty people, was gained by the launching of the most comprehensive record destruction program in the company's 71-year history. File cabinets and shelving occupying nearly 6,000 square feet have been partly replaced by three cabinets in which nearly 25 miles of microfilm are stored.

In all, the destruction program has done away with 150,000 pounds of paper, the 25 miles of microfilm containing approximately 5,000,000 documents.

—Office Management and Equipment 2/51

Hidden Costs of Letter Writing

Let's figure how much it costs a sales executive to write a letter (Pre-Korean prices):

| | | |
|--|----------|-----|
| His weekly salary | \$132.00 | |
| Working schedule | 44 hours | |
| Value of time per hour | \$3.00 | |
| Cost per letter (6 an hour) | | 50¢ |
| Stenographer's weekly salary | \$44.00 | |
| Working schedule | 44 hours | |
| Cost per letter | | 33¢ |
| (transcribes 3 an hour) | | |
| Postage, mailing expense, each | | 4¢ |
| Other costs, including supervision, depreciation, rent, taxes, utilities, and insurance (prorated) | | 15¢ |
| Recapitulation: | \$1.02% | |

Most people, management personnel included, never think about how much it costs them to write letters. But when an executive's letter-answering schedule is pulling down a cost of more than \$6.14 an hour, it's time to consider these facts:

1. Many letters do not require an answer.
2. Routine letters can be answered through forms or guide paragraphs.
3. Letters which are dictated should be planned for exactness and goodwill.
4. Those who dictate should organize their work, prearrange expressions of thought, capitalize on marginal notes.

—Jots on Management

Do Your Letter Writers Need Help?

As anyone who's tried it can testify, it's hard enough to train the letter writers in your own office. But what happens when you try to train those in district and plant offices? That was the problem Johns-Manville Corporation faced when it undertook to provide nationwide correspondence training from the home office in New York.

The company had often used the clinic idea for job training. Why not a clinic for letter writers? District Managers could choose their best writer to lead the clinic, or they could serve as leaders themselves. One specially designed training manual could serve as a textbook. Another training manual would be a guide for clinic leaders. Sample letters provided by the training department would be discussed, analyzed and reviewed. Clinic members would be encouraged to submit carbons of their own letters to the clinic leader for his analysis and suggestions for improvement. Some of these letters would be selected for discussion by the group. The result was a carefully worked out plan of letterwriting clinics, meeting an hour a week on company time for seven successive weeks.

Groups of seven to ten persons are recommended. A clinic leader's manual provides precise instructions for conducting each meeting, complete with a suggested introductory talk, topics for discussion, sample letters, teaching points and suggested revisions of the sample letters. Extra copies of the sample letters are sent from the home office for distribution to the group after the clinic leader has specified the letters that best fit the needs of his branch. The clinic leader receives a supply of the Johns-Manville Letter Analysis Form, which he uses for rating the carbons of regular correspondence submitted by members of his group.

—LEDWITH J. BRENNAN, as told to J. HAROLD JANIS. *Printers' Ink*, March 16, 1951, p. 33:3.

The backbone of the clinic is the manual entitled *Letters—Have You Read Your Own Lately?* By means of cartoons, lively headlines and interesting examples, the manual takes up such matters as the beginning and ending of the letter, stereotyped language, tone, sentence structure, etc. The fine points of grammar and rhetoric are not touched on, since the single aim of the manual is to encourage a direct and friendly writing style.

At each session the clinic leader introduces the subject of the meeting, according to the written instructions given him, and the discussion proceeds by questions and answers based both on the text of the letterwriting manual and on the carbons of letters submitted by the clinic participants themselves. Following the discussion, the practice letters requisitioned from the home office are handed out for analysis and revision. A list of teaching points and a suggested revision are supplied to the clinic leader for each of these practice letters. Here, for example, is the opening of an intercompany letter that has a decidedly negative tone:

We regret to advise that your order was shipped before we could pass on to the factory your instructions to increase the quantity . . .

The improved opening accentuates the positive:

Thank you for the increase in your order. The first part had already started on its way to you yesterday, and the additional amount will follow promptly.

It's too early to tell how much Johns-Manville has benefited from its letter clinics, which have now been in operation for only a half year, but the completion so far of more than 100 clinics in 23 company offices and the formation of many more speak well for employee interest.

Development in Forms and Procedures Control

It has been frequently said that inventory control of forms can be as important as the control of materials for production. Though the keeping of form control records requires considerable time and effort, we have found that the benefits derived more than justify the attention given to such activities.

At the Baltimore office of Davison Chemical Corporation, when a new form is originated, a form number is assigned and the maximum-minimum quantity to be carried is established. Information obtained from the requisition as to anticipated usage, coupled with our knowledge of the time usually required for processing, etc., enables us to anticipate fairly accurately the probable inventory requirements. These requirements, once established, are by no means fixed; maximum-minimum quantities are changed in accordance with reorder activity or an anticipated increase or decrease in usage.

The questionnaire form, a form letter on which we insert the date, the form control number and the title of the forms which are up for reorder, provides us with information on the quantity on hand, the estimated monthly usage, and any changes desired in form design, etc. When the questionnaire is returned to us, we utilize such information, together with control data, to determine just what order action is to be taken. Before this action is taken, however, we check on the authority of the requestor to originate a form, the form design, and the form specifications. These and many more details have to be considered if a good printing job and a satisfactory form are expected.

The form control record, maintained by the methods and procedures department, indicates the form title, the source of supply, the form control number, the location using the form,

annual usage, date and quantity on hand, date order issued, quantity ordered, purchase order number, date forms received, unit price, and the date when re-order action should be considered. In addition, we urge all our locations to keep an inventory record of forms and significant supplies. Such a record, coupled with the use of a receiving ticket, a withdrawal requisition form and/or the taking of a monthly physical inventory, will permit the charge-off of supplies in the proper accounting period, will preclude running out of forms if appropriate maximum-minimum quantities are established and heeded, and will assist in maintaining reasonable inventory quantities.

The combined efforts of the form user and the personnel of the methods and procedures group should be employed to improve on forms in use. Ideas or suggestions as to changes in form design should have the following objectives: to improve continuous writing flow; to reduce writing to the minimum; to obtain a standard or more practical size; to get full advantage of machine facilities; to attain other similar betterments.

In a consideration of form design and control as a means for reducing costs or increasing office efficiency, many essentials of good office routine automatically receive attention.

One of these is the avoidance of duplication of information and waste effort. During the past several years, at certain of our locations, the use of specially designed forms and the improvement in the design of existing forms have saved costs.

Another essential factor is familiarity with clerical operations and procedures. A knowledge of how the form will be used is necessary to achieve not only an efficient form but an efficient routine. This will also permit the issuance of

adequate instructions to the "performing personnel" and eliminate waste and inefficiencies.

A final factor to be considered is

clerical efficiency. Forms should be designed with a view toward avoiding waste motion during form preparation or utilization.

—C. F. Bové. *Office Management and Equipment*, January, 1951, p. 32:4.

Cutting Costs—Saving Time on Office Details

DOES YOUR OFFICE operate at tiptop efficiency? For those that don't—and how many do?—the National Office Management Association put the average office under a fault-finding microscope at a recent conference. Richard S. Mackenzie, of Booz, Allen, and Hamilton, teamed with W. Miller Bennett, N.O.M.A. International President, to outline time-saving and cost-cutting devices. Here are their check-lists of suggestions:

To Cut Costs:

- (1) Eliminate all but the most necessary basic clerical and accounting costs. (2) Use short cuts to reduce the dollars spent on remaining necessary work. (3) Train office supervisors to be alert to short cuts. (4) Adapt plant and factory techniques to office procedures. (5) Rearrange desks to obtain efficiency at the expense of a beautiful layout. (6) Eliminate errors rather than increase the number of people to check on errors. (7) Use "a floating gang" of temporary workers to handle peak periods of work. (8) Divert work from high-priced people to low-priced people. (9) Don't discard older workers who may be more dependable than younger ones. (10) Locate telephones properly; guard against their use for personal "gossip" calls.

To Save Time:

- (1) Employ cycle billing as department stores and public utilities do. (2) Use bookless bookkeeping. (3) Use form letters wherever possible. (4) Use window envelopes wherever possible, for statements, for invoices, for checks. (5) Eliminate statements. (6) Develop special furniture wherever indicated. (7) Use jigs, blocks, and other special equipment for handling paper wherever possible. (8) Print forms requiring typewriting in standard typewriting spacing. (9) Print routing instructions on forms. (10) Count large quantities of paper, cards, and the like by weight. (11) Establish a forms-control program. (12) Establish centralized services. (13) Print return address on envelopes with the postage-meter machine. (14) Use special payroll check paper so as to permit your bank to do your reconciling. (15) Use two bank accounts for four-week periods each.

—*The Office Economist* 3/51

Earnings of Women in New York Factory Offices: 1940-49

THE WEEKLY EARNINGS of women in the offices of New York State factories averaged \$45.42 in October, 1949, according to a report by the New York State Department of Labor. The women clerical workers were averaging nearly \$3 a week more than women production workers in these factories; however, in the same month, the men averaged 78 cents less per week as clerical than as production workers. Women were averaging \$19.77 less than men in the New York factory offices, and \$23.54 less than men as production workers in October, 1949.

In the decade 1940-49, the average earnings of women in New York factory

offices had nearly doubled, but it must be remembered that the starting point for this comparison (women's 1940 earnings) was very low. Some gain appears for women as compared with men in New York factory offices; while in October 1940, men's averages had been twice as high as women's, they were only half as high as women's in October 1949.

—*Handbook of Facts on Women Workers*, Bulletin No. 237 (U. S. Department of Labor)

Salary Differences Among Office Workers

AVERAGE WEEKLY SALARIES of women general stenographers amounted to \$48.50 in Chicago, \$44 in Indianapolis, and \$42 in Milwaukee, according to surveys made early last year. Hand bookkeepers, the highest-paid women workers among more than a score of office occupations studied, averaged \$58 in Chicago and a few dollars less in the other cities. Office girls and clerks doing routine filing were the only workers in Chicago who averaged less than \$40 a week; these workers were also the lowest paid among nine job categories in Indianapolis and Milwaukee in which average earnings fell in the \$30-\$40 bracket.

Men accounting clerks, numerically the most important of six men's jobs for which data could be presented, averaged \$58 in Chicago and somewhat less in other cities. Average salaries of men bookkeepers ranged from \$58.50 in Indianapolis to \$67 in Chicago. Although men were generally paid more than women employed in similar work, particularly in jobs requiring more than a short period of training, pay levels were about the same in routine jobs.

—*Monthly Labor Review*

Also Recommended . . .

CONDUCTING BUSINESS ON PAPER: *A Comprehensive Outline of Forms Control.* By William E. Sexton. Office Executive (National Office Management Association, 132 West Cheltenham Ave., Philadelphia 44, Pa.) It costs about \$29 a year to maintain the contents of one standard filing cabinet in the office, the author of this article points out—and at least half the filing cabinets in most offices could be dispensed with if the principles of effective forms control, which he outlines here, were observed.

DON'T SLIGHT SIGHT! By R. L. Oetting. *Systems* (Systems Magazine, 315 Fourth Avenue, New York 10, N. Y.), March, 1951. A recognized specialist on office lighting techniques analyzes the relationship of "adequate" lighting to office costs and productivity. Concluding section of a two-part article (see *THE MANAGEMENT REVIEW*, March, 1951, p. 120).

MICROFILM. By Douglas M. Smith. *Retail Control* (National Retail Dry Goods Association, 100 West 31st St., New York, N. Y.), March, 1951. Answers the questions most frequently asked about microfilm as a means of

record control, with particular attention to the cost factors. The author points out, for example, that the annual cost of operating a four-drawer file averages between four and five times the cost of microfilming the same material.

WILL ONE FIRE—OR BOMB—RUIN YOUR COMPANY? By Emmett J. Leahy and Robert E. Weil. *Mill and Factory*, April, 1951. More than 43 per cent of all companies experiencing a serious fire never resume business because they cannot replace their records. Though there is no standard plan for vital records protection that can fit every company, this article examines several methods, weighing their merits in the average situation.

HOW OFFICE INCENTIVE PLAN WORKS AT CONTINENTAL COMPANIES. *American Business*, February, 1951. The incentive plan used in the transcribing department of the Continental Companies, Chicago, is based upon the average number of cylinders a girl produces, plus the quality of her work. Employee turnover, previously excessive, has been reduced to a minimum as a result of the plan.

Personnel Management

Reaching Employees with Labor-Management Information

MUCH labor-management misunderstanding could be averted if proper information were imparted to employees. Several companies are pioneering in keeping employees informed about company policies, standards, and practices, and about union-management developments.

The Coleman Company has found, for example, that a three-week tour made each year by two union representatives and two management men in which the wages, working conditions, prices, and quality standards of competitors are compared, results in less complicated union negotiations.

To promote better labor-management understanding, an Ohio glass manufacturer arranges plant tours for union committeemen and international officers which give executives a chance to point out and explain the various operations.

The Pittsburgh Plate Glass Company (Paint Division) sets forth its views in a booklet endorsed by both company and union. This booklet contains 10 fundamental principles designed to serve as a foundation for better relations between employees, the union, and management.

The plant publication is used by the United Specialties Company to improve labor-management understanding. A column in each issue is devoted to interpretations of the more important articles of the union contract and the reasons for their inclusion.

Many companies, aware of the importance of keeping employees posted on union-management developments both during and after negotiations, employ the following means of doing so:

Meetings. One organization holds a meeting of its foremen each day at 4:00 p.m. to bring them up to date. Another brings foremen into union negotiations, rotating the privilege so that all supervisors can be kept informed on company positions in union matters.

Letters. In bargaining with the union over new contract terms, the Bigelow-Sanford Carpet Company decided to keep its supervisory organization fully informed about how negotiations were faring by sending letters to all foremen which gave them the facts they needed to answer employees' questions. Overnight bulletins were dispatched to supervisors as the occasion required; and when negotiations eventually broke down, employees received the management story in a letter.

House Organ. So that all employees might have the benefit of facts given to union representatives at the bargaining table, Bird & Son prints in its house organ digests of statements made by company officials at wage negotiations.

Special Articles. Lockheed Aircraft Corporation, seeking to reach employees with matters not ordinarily covered in the plant newspaper, printed a series of special articles, written in conversational style, about the merits of the American business system as evidenced by the company's own operations and problems. The first issue was entitled "What Happens in Union Negotiations?" and was designed to help clear up some of the many common misconceptions about the nature of the process.

Public Address System. At Reliance Electric and Engineering Company,

management takes to the public address system to report progress in negotiations, to explain shortage of materials, and to put up to workers the decision as to whether the company should accept a big order dependent on speedy deliveries.

Conferences. After negotiations, the starting point for "selling" any program is, of course, the foreman. When Ford Motor Company signed a new contract

with the UAW-CIO, its first move was to make sure supervisors knew the facts. First, it provided each foreman with a copy of the contract and an explanation of the new points in the agreement. Then it set up training conferences, on company time, to discuss the new pact point by point so that every supervisor might be able to answer any question asked by an employee.

—*Case Book of Employee Communications in Action* (Industrial Relations Division, National Association of Manufacturers, 14 West 49th Street, New York 20, N. Y.), October, 1950, p. 10:2.

The Employee and the Suggestion System

THE employee suggestion system provides formalized machinery which enables an organization to secure and profit from the ideas of its people. The employee whose suggestion has merit profits too, both from the standpoint of monetary gain and pride in accomplishment. So, as a morale-builder, as a means of cutting operating cost, and as a stimulant to thinking, the suggestion system is the open road—when it works.

In order to work, however, a suggestion system requires perseverance, constant selling, and machinery geared to examining and reporting promptly on every incoming employee idea. When a worker's recommendation is accepted, there should be the proper attendant publicity; perhaps a ceremony of presentation will do the trick. This drives home to the other people in the shop the notion that the pay-off for constructive thinking is tangible. On the other hand, when a suggestion is rejected, telling the employee why will clear up any suspicion in his mind that his hint hit the wastebasket.

There should be no great time lag between the date a man turns in a suggestion and the day he receives a pro or con report on it. Also, manage-

ment must give poker-faced consideration to even the most absurd idea. Finally, the suggestion box itself must be an "attention-getter"—perhaps painted attractively or affixed to a gay backdrop on which the rules, literature, prizes, and awards are posted.

To discover what companies were doing about suggestion systems, the Associated Industries of Cleveland recently interviewed a number of manufacturers. The following questions were asked: What are the eligibility rules concerning foremen? How is compensation figured? Do you reward not only the employee who makes the suggestion but those who are affected? Do you have rules on patentability? Who administers the plan? Do you have a presentation ceremony? Are employees notified promptly when they turn in a suggestion? (In answer to the last two questions, all companies reported that they had a presentation ceremony and that they considered prompt action on employee ideas fundamental to the success of their programs.)

Additional remarks of several firms where the suggestion system is really working may be enlightening to executives in other companies:

Company 1. All below supervisors are eligible. Tangibles are rewarded with 25 per cent of the first year's savings. Intangibles receive from \$5 to \$50 depending on the judgment of the Chairman of the Suggestion Committee and its secretary. The company helps the employee to obtain the patent, but reserves the right to use the idea. The plan is run by the executive secretary of the system with a committee composed of the assistant general superintendent, the general foreman, and the assistant to the personnel director.

Company 2. Foremen and executives are not eligible. In regard to compensation, a point system has been established based upon importance, outside work required, etc. Total number of points determines the percentage of net savings per year awarded to the suggestor. There is no rule on patentability. The Industrial Engineering Department conducts the program.

Company 3. Rank and file only are eligible. Tangible suggestions are paid for by 15 to 25 per cent of the first year's savings, depending on the importance of the suggestion. Intangible suggestions are rewarded at the discretion of a committee. If the company decides so, not only the suggestor but persons affected by the suggestion may be rewarded. Patentable suggestions are referred to the new devices department. The personnel director, aided by a suggestion investigator and a committee drawn from plan-

ning, production and engineering, conducts the program.

Company 4. Only rank and file are eligible, but the suggestions of foremen and supervisors help them advance in the company. If an employee makes a suggestion to improve his own job, he gets the savings of two months' time. If he is one of a group, he receives two months' savings as an individual plus one month for each of the others in his group. If the worker is not involved in the job, he gets one month's savings, and if a suggestion is made that is not covered by rules, it is rewarded according to its value in the eyes of the committee. The minimum reward is \$7.50; the maximum, a \$1,000 bond. Safety or intangible suggestions are paid for at a minimum of \$7.50 and a maximum of a \$25 bond. Unusual suggestions get more. There is no patentability rule. The plan is administered by a committee composed of the company president, superintendent, two foremen, the shipping head, and the auditor.

Company 5. Rank and file only are eligible. One-half of the first year's savings is the reward for tangibles. A committee decides on compensation for intangibles. All suggestions are the property of the company. The plan is run by a coordinator with a committee composed of Works Manager, Chief Engineer, and Industrial Relations Director.

—For the Informed Executive (The Associated Industries of Cleveland).

On-the-Job Program for Cancer Detection

A PILOT PROGRAM for cancer detection in industry has received a successful tryout at the plant of the Ford Instrument Company, Long Island City, N. Y.

Because the employee, engaged as he is in his work during the day, is unable to visit established clinics, the project provided company personnel with an opportunity to receive examinations comparable in scope to those given at established cancer prevention and detection centers.

To gain initial interest, literature and posters were displayed in the company plant, and a film dealing with cancer detection was shown to various employee organizations.

All examinations were voluntary. They were made without charge and at the plant medical department during working hours. A final consultation for all who took the examinations was given by the Medical Director at the Ford Instrument Company. The employee was also provided with a summary of all findings.

—HELEN J. HART in *The Industrial Nurses' Digest* 1950

Manpower Reserve

RETIRED EMPLOYEES may give you a manpower pool of accuracy and skill, particularly useful on jobs where speed is secondary. Many who retired to enjoy paid leisure are bored stiff by now and itching to get back.

The amended Social Security law gives another inducement to retirees going back to full-time work. While they do lose Social Security payments if they earn more than \$50 a month, they can look forward to much higher checks from the government later on if they can get back in the groove right now. Even with the recent Social Security increase, the most a currently retired employee can get in primary benefits under the Act is \$68.50. But if a skilled employee returns to work now and earns \$900 a quarter between now and June 30, 1952, or whenever he stops again thereafter, his personal monthly benefit will increase to \$80. And if his wife is also over 65, their combined benefits will jump from \$102.75 to \$120.

If you don't need them full time, hold them in reserve for special jobs where their experience can command a premium. Remember a retired employee can earn up to \$50 in any month without losing Social Security income. That means, for instance, he could work an eight-hour day, six-day week, at \$2 an hour, for the week of Monday, February 26, and still get full retirement benefit, if the pay formed his sole earned income split between February and March. Similar arrangements could be worked every two months.

—*Labor Checklist* (Research Institute of America, Inc.,
292 Madison Avenue, New York 17, N. Y.) 2/26/51

Yes-Men Are Made, Not Born

MOST business executives are strong believers in encouraging their employees to voice criticisms and suggestions, and these are taken into serious consideration. The growth of the suggestion box is one evidence of this trend. But in the organization that is heavily stocked with yes-men, you will find a top executive who makes up his mind and closes his ears simultaneously. These are the men who create the breeding grounds for yes-men, for they offer their employees the alternative of *doing it my way—here—or doing it your way—somewhere else*.

If you take a man who has said "yes sir," to everything the boss has suggested for the past ten years of business life and replant him in an organization that invites independent thinking, there will be one less yes-man. It never fails. Today business is moving away from the *that's-the-way-it's-going-to-be-done* approach. Business knows it pays to listen. Every executive in business today should realize that if there are any yes-men in his organization the executives have made them.

HAMILTON HERTZ in *Printers' Ink* 12/50

Caution: Children Under 14 at Work

ARE CHILDREN under 14 years of age employed in the United States? Most people would say "No." The Department of Labor says "Yes." Two sample surveys of child labor, made for the U. S. Department of Labor's Bureau of Labor Standards by the Census Bureau in the latter half of 1950, show that large numbers of young children, 10 through 13 years of age, were working—in agriculture, as newspaper carriers and sellers, as baby sitters, and in stores. In August it is estimated that there were 1,095,000; in October, a school month, 719,000. These working children accounted for one in eight of the total population of these ages in August and one in twelve in October. Half of these youngsters worked for pay—in August 592,000, and in October 361,000.

Why Good Men Quit

BOSSES may soon face a manpower crisis in which draft-exempt foremen, supervisors, and junior executives will be rare. How should the employer meet competition and prevent valuable men from moving to other jobs? By finding out why good men quit so he can do something to stop them. Here are the most common reasons, according to the experts, why good people leave their jobs:

Lack of prestige. Any self-respecting employee wants to be proud of his job. A private office, a new desk, personal business cards, a title, his name on the door—small things in themselves—are important to a man's ego.

Wasted talent. Put a 100-horsepower fellow in a 50-horsepower job and keep him idling away there—that's a sure way to drive the man right out of the company.

Insecurity. All employees, both timid and bold, consider security important—particularly as they get older. Though confidence in the boss and in the quality of the management is the first essential in building a feeling of security, such tangible side benefits as pensions, vacations with pay, adequate sick leave, and medical insurance are also important.

Slow promotions. Every employee compares his promotion record—and promotion chances—with what he is able to find out about similar firms. If he feels that he has been unfairly treated, he will seek other opportunities.

Poor leadership. Fairness, impartiality, and honesty are listed as top qual-

ities for any boss. Above all, the capable man in a business wants his opinions, ideas and suggestions listened to. If responsible men are always being told what to do, they probably will go where they feel their ideas will be given a better hearing.

Not enough pay. A boss can prevent a departure for this reason by telling each employee what he can expect to earn if he stays on and does good work. However, salary scales are going up fast for capable people. It will be cheaper in the long run to keep a little ahead of the prevailing pay rates.

Unsatisfactory working conditions. A combination of difficult working conditions often drives willing men from their jobs—particularly if the company seems to be bull-headed about paying attention to what are regarded as legitimate, if minor, complaints.

Unpleasant associates. Many men work where they do partly because they find the association with other workers pleasant and stimulating. If a shop is full of backbiting and sour employees, you can't expect good people to stick around.

What to do about it? Do what other bosses have done when they started to lose their capable employees. Find out why men are leaving by using these eight points as a check list. You have to face the facts you uncover, even if they make you angry.

In normal times, it might have been easier to let a good man go than to eliminate the conditions that caused him to leave. During mobilization, however, no boss can afford that luxury.

—*Changing Times: The Kiplinger Magazine*, Washington 6, D. C., Vol. 4, No. 12.

"SQUAWK BOXES" to take care of routine grievances have been revived by the Davison Chemical Company. Their function is the settlement of complaints which are not covered by the grievance machinery established by prior agreement or for which the formal grievance machinery would prove too slow and too technical.

—*The Arbitration Journal*, Vol. 6, No. 1

When Does a Man Fail?

TO FIND out why management men fail, Stevens Institute of Technology sent 300 questionnaires to top executives in industries in all sections of the United States. These executives were asked to pick out one man who had been appointed to a supervisory position and who had failed in that position—that is, who had been separated, demoted, or transferred to a non-management job—and to rate in order the six factors which they considered most important in causing the man to fail.

Here are the qualities on which the man was rated:

- Lack of drive.
- Lack of knowledge of materials used by the company.
- Lack of perseverance.
- Lack of knowledge of corporate organization.
- Inability to make decisions.
- Lack of knowledge of accounting and statistics.
- Inability to assume responsibility.
- Lack of knowledge of marketing and distribution of products.
- Inability to delegate responsibility.
- Lack of knowledge of costs.
- Inability to analyze and evaluate.
- Inability to judge people.
- Lack of knowledge of personnel organization and administration.
- Inability to cooperate with others.
- Lack of knowledge of labor law and labor relations.
- Lack of breadth of knowledge.

The results indicate that personality factors accounted for 85 to 90 per cent of the failures. Only about 10 to 15 per cent of the men were fired because of lack of skill or technical know-how. "It's know-what that's important, rather than know-how," according to a plant superintendent.

The outstanding characteristic which a man needs when he is part of a large

organization is the ability to cooperate with others, according to most of the respondents; the lack of this ability was checked most frequently as a cause for failure.

Next in order of importance seems to be the inability to delegate responsibility. If a supervisor has this trait, it limits his opportunity to broaden his job. By delegating details, he can free himself for more important duties.

The inability to make decisions was another point that was stressed. One man failed because he made decisions without sufficient thought and study. Somewhat similar was the case of a man who was unable to view a problem objectively and to make decisions based on factual analysis. Several men did not have confidence in their decisions, once they had made them.

Management men, as described in the questionnaires, aren't always as well-rounded as they might be. Some were unable to relax under pressure. Others were emotionally unstable. One did not have the moral and mental balance necessary for dealing with people. Or, they failed to develop themselves. One could not express himself in good English. Another did very little reading. Several lacked training in economics—not simply the individual problems of economics, but a basic insight into the conditions and material means of satisfying human desires. A number failed to sell their ideas; they were not sufficiently forceful in presenting recommendations to management. Or they were unwilling to "stand their ground" in the face of opposition. Over and above everything else, however, men failed because they did not appreciate the importance of human relations.

—Management Information (Elliott Service Company).

Strike Back — Give to Conquer Cancer!

Half Full . . . Or Half Empty?

A STORY often used in sales meetings is the one about two persons shown the same glass of water. The negative minded individual said it was half-empty—the positively inclined said it was half-full. A brief article in an issue of the *Supervisor's News Service** tells somewhat the same story in the field of supervisory relations:

"In . . . company over 200 supervisors were asked to signify their agreement or disagreement with a number of statements, such as: 'Most workers are less efficient than ten years ago.' 'People usually repeat their mistakes.'"

"It turned out that supervisors who believed such statements to be true had, as a rule, poorer records than those who signified their disagreement. The explanation is probably a simple one. The supervisor who thinks most workers are less efficient than ten years ago will naturally reveal his critical attitude in his treatment of the people working for him. They, in turn, will resent this attitude and, as a result, become unwilling and uncooperative workers.

"The supervisor who believes that people usually repeat their mistakes will hardly fare better. His attitude is bound to lessen the effort he puts into teaching and training. As a result his employees will tend to repeat the mistakes they should avoid.

"In either case, because of the supervisor's lack of respect and liking for people, his work isn't what it might be. The extent to which the attitude shown by a supervisor can reflect itself in an employee's thinking is well illustrated in the following statement by a participant in General Motors' 'My Job and Why I Like It' contest: 'I have a good manager. He thinks I have more ability than I think I have, so I consistently do better work than I thought I could do.'"

* Published by National Foremen's Institute, Inc., New London, Conn.

—Coordinator (Dun & Bradstreet, Inc.) 1/51

Size of Labor Unions

SOME 14 to 16 million workers in the United States, constituting approximately a fourth of the total labor force, currently are members of labor unions, according to estimates based upon union membership reports and claims. Structurally, these workers comprise the more than 200 existing national or international unions, which, in turn, have 70,000 or more local lodges or chapters scattered throughout the United States and Canada.

From the standpoint of membership, unions vary widely in size. Six, out of a total of 207 unions surveyed by the Bureau of Labor Statistics late in 1949, claim more than a half million members each. These large unions are the AFL Carpenters and Teamsters, the CIO Automobile Workers and Steelworkers, and the independent or unaffiliated Machinists and Mine Workers. Almost half of the unions (48.9 per cent) on the other hand, have from 10,000 to 100,000 members. About one out of four unions surveyed was relatively small, claiming less than 5,000 members.

Similar variations exist in the number of locals chartered by national and international unions. Twenty per cent (or 41) of the 204 unions reporting number of locals in 1949 had more than 500 local chapters each, and 18 of those had over 1,000 each. Almost 50 per cent had less than 100 locals each, and approximately a third had between 100 and 500 locals each. Membership of local unions ranges from small groups of a few workers (usually not less than 10) to several thousand. The Ford local of the United Automobile Workers (CIO), with a reported 65,000 members, is by far the largest in the country.

—Monthly Labor Review

How to Put Individual Initiative to Work

THE term *individual initiative* has been defined as "the power of originating something, the self-reliance or energy required to begin and carry through any undertaking—the drive that makes business enterprise free and successful."

The organization which is serious in its desire to encourage this quality must cultivate an atmosphere favorable to its development. Management must either have a good previous record in this matter or give evidence of its sincerity. Also, the business must be so organized as to permit initiative to operate; there must be scope for creative activity. Although it is often assumed that this is a function of the type of industry in which a business is engaged, actually it is dependent to a large degree on the philosophy of the particular enterprise.

Obstacles to the development of initiative are lack of real interest on the part of top management and the fatal tendency to settle down and be comfortable which attacks many highly successful enterprises that have reached a certain degree of maturity. Excessive integration may also be a deterrent to development below the top level of management. There is, furthermore, a large lack of understanding of the nature of initiative and, for that matter, of human nature itself. *Initiative is not something that can be switched on and off; it is a quality which improves with use.*

In view of these factors, how can management put initiative to work within the company?

It is generally recognized that any program designed to deal with personnel must be based on an intelligent method of selection and training. In fact, adequate training within the plant is probably one of the greatest needs of American industry. The field is one in which companies can obtain a great

deal of outside assistance from professional consultants and industrial management firms and from a number of universities which have made important contributions. What is lacking is not so much a body of information as a willingness to engage in the rather arduous process of working out specific programs designed to meet the special needs of the company and a willingness to stay with these programs long enough to get some results.

Several companies have been successful with rather simple devices. The personnel inventory, for example, which assures periodic evaluation of the performance of each worker, frequently reveals the fact that people with ability and initiative are being overlooked. Although much work has been done in connection with systems of rating and evaluation, this is one field in which much more progress is needed. There is great value, also, in the principle of rotation—allowing a man to work in several different jobs under different supervision. The results are frequently very revealing, for it appears that there are many circumstances which affect the quality of a man's work—the job itself, the physical environment, the quality of supervision, and the atmosphere which pervades the department.

In engaging in any such program, an organization must secure a large degree of cooperation from the supervisory personnel. The foreman or superintendent who is preoccupied with the details of running his job will not usually work actively to advance a training or development plan unless he can see some direct benefits to his department. Nor will the trainee make much progress if the head of his department shows a definite lack of interest.

Most companies feel that if they have a reasonably good training program and a good method of encourag-

ing employee suggestions they have done about as much as is practical with the rank and file of the organization. *Industry, however, will in the future find it necessary to pay still greater attention to the development of the interest and ability of the rank and file.* Our standards have gone up for all people, and our workers are a better-educated, better-trained, more highly skilled group than at any time in history. Over the coming years American industry must address itself to an increasing extent to the problem of encouraging a larger degree of interest and participation on the part of a larger proportion of the working force.

In trying to develop a higher degree of initiative among executives, it is important for management to realize that men learn by being taught and by doing. Every wise executive knows that the most effective way of developing ability is to delegate responsibility. There is no better way to test the value of training; there is no better way to find out what a man's abilities really are. How much time ought a man have to demonstrate that he can do

the job? Management sometimes gets discouraged too quickly. *The man who makes decisions will make mistakes;* thus an intelligent procedure for reviewing mistakes can be highly valuable both for the individual and the company. For the most part, however, we take too long to face the fact that a man may not be able to handle a responsibility, and this is bad both for the individual concerned and for the organization.

In general, the best way to put initiative to work within the company is to recognize, encourage, and train those who have it, and to create conditions which encourage its exercise. The extent to which initiative will be developed along the line thus depends to a very large degree on the extent to which it is exercised at the top. There is a great deal of potential initiative and ability in every industrial plant that could be used to advantage. Therein lies the great challenge to the American enterprise system; therein lies the great opportunity for what we refer to so fondly as the American way of life.

—From an address by MEYER KESTNBAUM (President, Hart Schaffner and Marx) before the Twentieth National Conference of the Harvard Business School Association.

Operation Understudy

AS PART OF ITS PROGRAM to train and develop understudies for upgrading to supervisory or other managerial jobs, the Seattle Regional Office of Veterans Administration recently observed an "Understudy's Day," on which all managers and supervisors took the day off and the next-in-line filled the position for which he had been training. The "take off and take over" program gives trainees a chance to try their hands at the jobs that they will eventually fill and helps VA evaluate the effectiveness of the training received thus far.

—LESTER H. HALL and KEITH A. SNIDER in *Personnel Information Bulletin* (Veterans Administration).

Retirement by Degrees

TO SOFTEN THE SHOCK of retirement on employees, Chicago's William Wrigley Jr. Co. will retire its oldsters on an installment plan. Beginning this year, said President James C. Cox, Wrigley workers who reach the retirement age of 65, but are willing and able to keep on working, will get a month's leave of absence without pay the first year, two months the second year, and so on until they are eventually retired altogether.

—Time 4/2/51

Suggestions Pay Off for IC Workers

THE employees' suggestion system, adopted by the Illinois Central Railroad aims primarily to develop an organization of thinkers, of people alert to every possibility of improving and making the most of their jobs.

The success of the plan, which is now in its thirteenth year, is more than evident. Over 312,000 suggestions (from an average working force of 37,000) have been received and considered. Of these, more than 54,000 suggestions have been found usable. The winning suggestions were made by 12,000 different employees, who were paid \$680,000 for their thinking.

The suggestion system is administered by a general suggestion committee in Chicago and by 14 local committees. The general committee, appointed by the president, is made up of eight general chairmen who represent labor and eight who represent management. This committee determines and interprets the general policies of the system and is the final authority on awards. The local committees also include both labor and management representatives. The former are appointed by the general chairmen's association, while the latter

are selected by local management. The suggestion department at Chicago coordinates the system, working through all branches of the company.

Suggestion boxes and bulletin boards are placed in locker rooms, offices, shops, and at other points where workers congregate. When workers make suggestions, they retain the numbered stubs. Complete anonymity is assured during handling until award winners disclose themselves upon publication of their winning numbers.

Employees have confidence in this plan because their supervisors have shown them that their thinking is really wanted. They are also proud to participate in the operations of the company. In fact, suggestion records indicate that employees make suggestions as much for the satisfaction of seeing something accomplished as for the money to be gained.

Continued educational work with supervisors and workers has helped maintain enthusiasm for the plan. An ever-changing flow of idea stimulators and reminders are used to show the employee the advantages to be gained from making the system part of his daily mental and work habits.

—*Modern Railroads*, February, 1951, p. 79:2.

Skilled Worker Shortages Increasing

LOCAL OCCUPATIONAL SHORTAGES are appearing in many sections of the nation as manpower requirements for defense production assume growing importance, the Department of Labor's Bureau of Employment Security reports.

The largest recent increases in locally hard-to-fill job needs have occurred in the professional, skilled, and semiskilled fields, particularly for mechanical and electrical engineers, vocational training teachers, draftsmen, machinists, tool and die makers, skilled aircraft assemblers, pattern and model makers, carpenters, lumbermen, raftsmen, and woodchoppers.

Openings for professional and managerial personnel constitute approximately one-fifth of interstate job clearance needs. Local unmet demands for clerical and sales workers constitute 8 per cent of all clearance openings, while unskilled and service needs are small, each comprising only about 4 per cent of the total.

—*Labor Information Bulletin* (U. S. Dept. of Labor) 3/51

Background of Current Wage Situation Analyzed by BLS

TO PROVIDE an historical perspective to wage developments since the beginning of the defense emergency, the Department of Labor's Bureau of Labor Statistics today announced the availability of a new publication, *Wage Movements—An Analysis of 1939-49 Experience*.*

According to the report, weekly and hourly earnings of workers in manufacturing more than doubled over the decade ending in 1949. In terms of "real earnings"—the goods and services a worker's wage will buy—the advance was much less striking, however. Rises in prices of things bought by consumers had scaled the effect of a larger pay envelope down to a point where "real earnings" in 1949 were 40 per cent above those in 1939, compared with the 135 per cent increase in money wages over the same period. White-collar workers and those in most non-manufacturing industries lagged behind manufacturing workers.

* Available without charge from the New York Regional Office of the Bureau of Labor Statistics, 341 Ninth Avenue, New York, N. Y.

Employment Shifts Since Korea

WAGES AND HOURS in manufacturing are rising faster than those in non-manufacturing, according to the Conference Board. Straight-time hourly earnings in manufacturing have shown an "average increase" of 8.5 per cent in the year ending January, 1951. The Board notes that this is not much below the permissible 10 per cent catchup ceiling. On the other hand, similar increases in gross hourly earnings in non-manufacturing industries, for which no straight-time calculation can be made, ranged from 2.1 per cent in retail trade to 10.3 per cent in non-metallic mining and quarrying.

Developments since the beginning of the Korean conflict are summarized by the Board as follows: increased employment; some shift in employment toward durable manufacturing industries and government employment; markedly greater employee turnover. There has also been an increase in average hours worked: From June to December, hours in durable goods industries rose from 41.3 to 42.5; in non-durable goods, from 39.5 to 40.4.

Stop the Clock

THE PARKER PEN CO. threw out the time clock at its Janesville, Wis. plant last week, told its 1,000 workers to fill in their own timecards and hand them to a foreman. The new system eliminates three or four minutes lost by each employee while waiting in line mornings and evenings in front of the time clock. Added President Kenneth Parker, the old time clock was an "unnecessary nuisance and a form of regimentation. We think the psychological effects will be good."

—Time 4/9/51

THE YALE PLAN ON ALCOHOLISM estimates the annual cost to industry from preventable accidents due to alcoholism alone, at \$120,000,000. Total cost is of course difficult to arrive at, due to the many hidden factors involved, but those who have attempted to estimate the annual loss of man-hours from such accidents and from hangovers, fatigue and other inefficiencies arising from alcoholism, speak in terms of approximately \$500,000,000. a year.

—BARRETT WILLIAMS in *Industry* 3/51

Personalities In Labor - Management Conflicts

EDITOR'S NOTE: *Controversial articles are presented in the REVIEW in line with our general policy of keeping readers currently informed of all points of view.*

THE LAST 25 YEARS will have an instructive interest for future anthropologists. The period will probably be hawked about in textbooks as the Beginning of Human Relations in Industry.

An overwhelming accumulation of facts indicates that human relations programs in plants *have* proved highly advantageous—but only in the same sense that good lighting, cleanliness and good inventory controls are advantageous, and have been profitable in that they eventuate in more production, more willing production and more stable production. But despite the really stupendous erudition which seems to have been pumped into this field, human relations programs and the present-day emphasis upon better “communications” have had little or no influence upon workers’ ties to their union.

If we stroll down the assembly lines of almost any large industrial establishment, we discover that what was once the gaudy treasure of the workman—his recondite and indescribable magic, his workmanship, his *skill*—has now been broken up into a series of perfumed and denatured tasks, a compound of trivialities, all of a simpler, semi-skilled and low-skilled variety. These require few aptitudes, give the worker little craftsmanship or experience which he can transfer to any other job or industry, and fill his ego with no particular glow. The pride which was once characteristic of a man’s skill has now been transferred from his own work to the work of the factory. By the same token, his employability and pay-scale, which were directly related to his skill and craft,

have been undermined as his work has been subdivided.

The typical semi-skilled worker feels that the conditions of his employment, his wage scale and take-home pay, his seniority and skill are all taken out of his hands by technological trends which he does not understand. Is there any reason to believe that better human relations practices in industry or that improved communications devices will settle the fears of his earthly clay and create such a confidence in his mind that he will look solely to his employer for protection against the technological forces which neither one of them can block? To believe that he will is sugarishly sentimental; all the evidence on the growth of unionism indicates that he will not.

If such is the situation today, and if human relations and improved communications devices in industry are of little value in influencing unionized employees, how then can employers get the sympathetic ears of their workers?

I have suggested elsewhere that the only realistic recommendation which can be made on this score is to encourage employers to get to know union leaders socially, to work with them on a face-to-face basis, free of legal interlocutors, to accept those labor leaders as equals, and to deal with them as such. Since union members look to their union leaders as their own fathers, mothers, partisans, spokesmen, benefactors, and the heralds of ethical enlightenment, the surest way to influence union members is to influence their leaders.

Since I made that suggestion in print, I have been deluged with let-

ters from corporate executives arguing that it requires a racking stretch of their character to bring themselves to meet labor leaders socially. The nature of the average union leader is such, I am told, that honest, sober, pious and respectable business executives would not be seen in their company in public.

I am disposed to think, however, that it is not the alleged base character of labor leaders which makes social intercourse with them so difficult for employers. The real difficulty is something which few employers talk about, and even these few men are fairly inarticulate because the point touches a sensitive spot. Stripped of irrelevancies, the real hurdles are those complicated and onerous class taboos which tell all of us how to behave in society.

For example, the typical business executive regards himself as a man of vast and ineffable superiority. In the executive's eyes, the union leader, if he represents shop labor, is on a par with shop laborers; if the union boss represents maintenance workers in the plant, then he is a sort of janitor himself, or on a par with them.

But labor leaders are not employees; in every respect but one they are equal to business executives. Many of them have large incomes; they have influence, and they have power. However,

—A. A. IMBERMAN (Imberman and DeForest, Public Relations Counselors, Chicago 4, Ill.) in an address before the Fourth Annual Industrial Management Conference of the University of Missouri.

the labor leader has no *social* acceptance. Despite his wealth and power, the fruits of his position are denied to him. Anywhere he goes outside of his circle, he finds only a depressing inferiority, only a chilling half-welcome. He cannot belong to good clubs; he cannot have his family (and particularly his children) attend private schools without snide comments from other children (and mothers); he is made to feel unwelcome in anything but a middle-class neighborhood; newspapers generally treat him editorially as something satanic—all or mainly because employers set the major culture patterns of our American civilization, and employers have no use for labor leaders. As a result many of these labor leaders, in (conscious or unconscious) retaliation, indulge in strikes, arbitrary demands on working conditions, capricious demands "to see the company books," etc.

This situation has a direct bearing on management relations with its employees and its efforts to influence their attitudes: The task of influencing labor union *members* is basically a task of accepting labor *leaders*, and it would be of dubious wisdom to train a dog to bite less, solely by kicking him daily. Yet that is the technique followed by a good number of captains of industry insofar as they consciously or unconsciously endeavor to keep labor leaders in an inferior status.

Union Security Provisions in Recent Contracts

LABOR UNIONS are provided with "some assurance of a flow of funds" in all but 15 of 247 union contracts analyzed recently by the Conference Board. All 247 were signed since Korea (June 25, 1950).

A little less than half of the contracts (44.5 per cent) provide this protection through a combination of both a union-security clause plus a checkoff. A fifth (20.6 per cent) do so through a union-security clause only, while a fourth (28.7 per cent) provide the union with funds through the checkoff alone. Only 15 (6.1 per cent) contracts do not contain either a union-security clause or a checkoff clause.

Also Recommended • • •

HOW TO EASE THE LOAD ON YOUR FOREMEN. By Edmund Mottershead. *American Machinist*, April 2, 1951. As current demands for increased production place additional burdens on foremen and supervisors throughout industry, one of the most important steps for management to take now, the author contends, is to check the relationship between the foreman and the personnel department. He outlines briefly some methods for reviewing the work of the personnel department in terms of its effectiveness in easing the workload of the operating supervisor.

LABOR PROBLEMS IN THE EMERGENCY. By Leonard A. Keller. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), March, 1951. Chief labor-relations headaches in the period ahead promise to center about wage controls, manpower requirements, and major efforts to extend unionization, according to the author. He discusses management's responsibility to work out constructive policies to solve and, to the extent possible, anticipate the foreseeable sources of labor-relations difficulties in the "half-war."

TAKING THE PULSE OF PERSONNEL. By Jack C. Staehle. *Chain Store Age* (Orange, Conn.), April, 1951. Regular morale surveys have done more to minimize personnel problems than has any other single personnel device at management's disposal, according to the Director of Industrial Relations at Aldens, Inc., Chicago. This article describes the annual opinion audit and illustrates the four-page questionnaire on which the survey is based.

FORD'S IN THE FOOD BUSINESS, TOO. *Plant Administration* (481 University Ave., Toronto, Canada), March, 1951. Unusual among industrial food services is that of the Ford Motor Company of Canada which invested \$400,000 in its commissary system in order to be able to serve lunches quickly, inexpensively and under the most sanitary conditions possible in a plant that has 13,000 employees. This article discusses the facilities, equipment, layout and "production system" which have made the commissary program an outstandingly successful one.

SOME THOUGHTS TOWARD SUCCESSFUL COLLECTIVE BARGAINING. By J. George Eichhorn. *Marquette Memo* (Bureau of Business and Economic Research, The Robert A. Johnston College of Business Administration, Marquette

University, Milwaukee, Wis.), April, 1951. In the author's view, there are eight prerequisites for a healthy bargaining relationship between labor and management: (1) representatives must have authority; (2) management and labor must both be legally and morally responsible for their commitments and demonstrate at all times the highest degree of integrity; (3) bargaining must be based on facts; (4) proper functions must be recognized; (5) outside agencies should be avoided; (6) inflammatory statements should be avoided; (7) use of economic force should be avoided; (8) both sides must recognize their responsibility not only to their own groups but to the community as a whole. Each of these requirements is discussed in turn.

WAGE RATE CONTROL STANDARDS. By Carroll R. Daugherty. *The American Economic Review*, (American Economic Association, 450 Ahnaip St., Menasha, Wisc.), March, 1951. The author gives his views of the requisites of a sound system of wage controls, emphasizing the need for a thoroughgoing plan that will cover the wage rates of all workers and the prices of all raw materials, semi-finished products, and final products. The program as outlined is designed to accomplish two important results: (1) tie wage-rate control very closely to the place where it belongs—namely, product-price control; and (b) present minimum interference with outstanding recent achievements in collective bargaining.

SITUATIONAL TESTS: INDIVIDUAL INTERVIEWS COMPARED WITH LEADERLESS GROUP DISCUSSIONS. By Bernard M. Bass. *Educational and Psychological Measurement*, (Box 6907, College Station, Durham, North Carolina), Spring, 1951. This article reports a study of the reliability of ratings of leadership qualities exhibited by various members of a group in the course of "leaderless group discussions," as compared with the ratings given the same individuals on the basis of individual interviews. The results indicate that for all practical purposes the two selection methods are of fairly equal reliability.

SEMANTICS: ITS APPLICATION TO PERSONNEL ADMINISTRATION. By Harold L. Dickinson. *Personnel Administration* (Society for Personnel Administration, Washington, D. C.), January, 1951. The author provides a lucid and highly readable introduction to General Semantics and its basic principles and shows where semantics can help in reducing the language barriers to straight thinking and communication in personnel administration.

Production Management

The Union and the Wage Incentive Plan

RICHARD C. SMYTH

Director of Industrial Relations, Schick, Inc., Stamford, Conn.

BY AND large, organized labor looks on wage incentive plans with disfavor. However, wide variations of attitude exist. On the one hand, in the apparel industries and in the textile industry, piecework is traditional and is not resisted. On the other hand, many unions are strongly opposed to wage incentive plans, and in some cases have even written clauses into their constitutions prohibiting the use of such plans. Typical is the constitution of the International Association of Machinists which indicates that in shops where no wage incentive system hitherto has existed, no member is permitted to work on such systems, and any union member "guilty of advocating or encouraging any of these systems" where they are not in existence is "liable to expulsion."

However, Solomon Barkin, the Research Director of the Textile Workers Union of America, CIO, has said, "Where (wage incentive) plans have operated well in specific plants, the workers are interested in this form of wage payment."¹ Also, Philip Murray, President of the CIO, has pointed out that, "Where morale is high and a good understanding exists between management and union members, almost any wage system can be made to work."²

Many of the wage incentive plans used in some companies and many of

the techniques used in setting production standards are so unfair that they should be opposed by both management and labor. Actually, however, the big problem between management and labor in the field of wage incentives is not one of plans, procedures or principles. It is merely how, at the plant level, one party can get the other party to accept and use a production standard that it feels is satisfactory but which the other party does not.

Experience indicates that there are at least four essential ingredients in the successful installation and administration of a wage incentive plan. They are:

1. Use a sound and simple wage incentive plan and fair and reasonable time-study procedures.
2. Be fair, honest and above-board.
3. Explain each step of the plan and the procedures to labor's representatives and to the employees concerned.
4. Provide suitable grievance machinery so that employees who feel that production standards are unfair will have the opportunity of having their complaints heard and given serious consideration.

The first two of these items have been discussed at length in the literature of the field. Everyone will agree that your plan and procedures must be sound to succeed. Also, of course, it is essential that employees always be treated fairly.

However, explaining the plan to the employees and their representatives is also very important. People are highly suspicious of anything which affects

¹ Solomon Barkin, "Labor's Attitude Toward Wage Incentive Plans," *Industrial and Labor Relations Review*, Vol. I, No. 4, July, 1948, Page 553, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York.

² Philip Murray and Morris Cooke, *Organized Labor and Production*, Harper & Brothers, New York, 1940, Page 112.

their interests but which they do not understand. Employee or union antagonisms can ruin the best of wage incentive plans. Therefore, it is essential that both employees and union be thoroughly "sold" before the actual work of taking time studies commences.

SELLING THE INCENTIVE PLAN

Once management has decided to install such a plan, the top leaders of the union should be called into a special meeting with top management and the plan explained in detail. Once the union officials are sold on the idea, it is usually best to let them explain it to the union's membership. However, explore the point with them. Sometimes they would like to have management furnish them with literature describing the plan, which they can then give to the employees. In some other cases, the union's leaders may want a management representative to attend a portion of a union meeting to explain the technical aspects of the plan to the employees and to answer questions. In any event, the union leaders will probably have very definite ideas of their own as to how to proceed in explaining and selling the plan to the rank and file.

In non-union shops management should explain the plan directly to the employees. In most cases the best way is to call a meeting of all employees on the shop floor during working hours, and have some capable and respected member of top management explain in detail how the plan will work and how it will affect each individual. At such a meeting be sure to answer all employee questions fully. If the plant is too large to make it possible to call all the employees together at one time, management can talk to them by groups or by departments.

PROVIDE ADEQUATE GRIEVANCE MACHINERY

Once the incentive plan is installed

and under way, some arrangement should be provided to permit employees to have complaints involving production standards heard by management. In a non-union plant complaints should go first to the employee's foreman, and then if the employee is still not satisfied, the complaint might go to a plant superintendent or plant manager. Even though most employees in a non-union plant will be reluctant to process their grievances past their foreman, still they should know that they have the right to do so. If top management handles those employee complaints that do come that high in a fair and just fashion, employees will eventually grow to have greater faith in this avenue of appeal. In all too many cases, however, top management does not examine and handle such employee complaints impartially, but feels that its function is primarily to find means to uphold lower management. Employees *must* receive fair handling of their complaints or they will feel that this type of grievance procedure is a farce.

In a plant where the employees are represented by a union, complaints involving the wage incentive plan and time study standards should be processed through the regular grievance procedure. However, one word of caution: Most grievance procedures contained in union contracts terminate with arbitration. Generally speaking, an arbitrator should never be permitted to establish a time-study rate. In the first place, time-study rates can only be determined by an experienced person actually taking a time study of the actual job. (Unless, of course, standard data can be used.) Many arbitrators do not even understand time-study techniques, let alone being qualified to take a satisfactory time study. If, in collective bargaining, a company is forced into a position where it must agree to arbitrate disputes as to what a production standard should be, at the very least it should demand that a qualified industrial engineer be designated by name in the

contract as the arbitrator to hear this type of case and that the arbitrator should have the authority to take his own time studies if he feels it necessary to do so.

In some companies other approaches have been used. A few concerns have production standards approved by the union before being put into effect. This does not seem wise. The determination of production standards is and should be a function of management. If the union, after a reasonable trial, feels that any production standard is unfair, it should have the right to take the matter up as a grievance. Actually, very few unions would want to be in the position of being required to agree to a production standard before it had been put into effect.

There is one other possibility that has worked well in many companies. This is to have the union appoint an individual to act as a time-study steward. This steward is then trained by the company in time-study procedures. The time-study steward works on his regular job most of the time.

When a grievance is filed involving a production standard, the grievance, preferably, should first be taken up by the employee involved with his foreman. The foreman should investigate the case and answer the employee's grievance. However, if the employee is not satisfied with the foreman's answer or if the foreman himself so requests, the Time Study Department should make a check study of the job to see whether the rate is correct. If the Time Study Department finds the rate correct, and if the employee or the union still protests the rate, a joint study should be made by the company's time-study engineer and the union's time-study steward, both individuals studying the same employee on the same job at the same time. After the study is completed, the two can then compare notes. This tends to narrow down the areas of dispute and also tends to keep the dis-

cussion on a technical and factual level and out of the realm of emotion. Many companies have found this a very helpful device in settling this type of grievance.

TRAINING OF UNION STEWARDS

The key to working successfully in grievance handling with union time study stewards is (1) to see that they are adequately trained, (2) to have people appointed or elected as stewards who are intelligent enough to learn the procedures and techniques, and (3) to have stewards that are respected and supported by the union and the rank and file.

One good way to train union stewards in time-study techniques is to have them spend about two days a week in the Time Study Department working with the company's time-study engineer. The rest of each week should be spent on their regular jobs so that they will not lose touch with the rank and file and be accused of "selling out to management."

Many unions and union leaders are strongly opposed to having management train the union's time-study stewards. For example, William Gomberg, an industrial engineer for the ILGWU, writes, "The sort of time-study course the management technicians are giving the trade unionists is not a course in time study—it is a course in how to be a time-study clerk, or better yet, how to be a representative of management in the union. The sort of course they give is predicated upon a set of assumptions which are never examined in class. Naturally, if you give me all the assumptions and tell me to go through a series of clerical operations, I have got to come out with the same answer that the management man gets. We don't do that. *We have our own criteria for testing a rate.*"³ Along this same vein of thought, the United Electrical Work-

³ Ernest Dale, *Greater Productivity Through Labor-Management Cooperation*, Research Report No. 14, American Management Association, New York, 1949, Page 47, (Italics Added).

ers (Ind.) in one of their official publications have indicated that the union does not have its own engineers and time-study men, nor does it believe unions should need them, except perhaps in extraordinary circumstances. Instead, it tries to teach its stewards and members how to become their own rate men.

HOW MUCH UNION PARTICIPATION?

Many management men are also *strongly* opposed to teaching the union's representative anything about time study. In general their feeling is that the whole area of wage incentives and time study represents a management prerogative and that the union should not be permitted to participate. Nevertheless, it is necessary to be practical. If a wage incentive plan has been in operation for a reasonable period of time and is functioning smoothly and to the satisfaction of both union and company, there would be very little point in training a union representative as to the techniques involved. However, if the wage incentive plan is just being installed, or if management and labor are at constant odds over the operation of the plan with practically every standard being challenged by the union as it is placed into effect, then it might be an excellent idea for management to attempt to work with a union time-

study steward as just described. At the outset management might merely propose to the union that it "explain" the policies and procedures used. It might be wiser not to mention the word "training." However, in most cases a training program will easily and quickly result.

To those managements who feel that this is an unwarranted intrusion of the management domain by labor, we only ask: Would you rather train the union's time study steward and train him correctly with the true facts, or would you rather have him trained by the union—which usually means little if any technical information and a mass of slogans and catch-phrases which will make the meeting of minds on a technical subject all the more difficult? We feel that the answer is obvious. If your existing system is not operating smoothly, if you are faced with employee unrest and countless grievances involving production standards, a survey of your whole plan and its administration should be made to see if the blame lies in management's backyard. If your hands are clean, or after you have corrected anything that needs correction, the balance of the problem will usually be found to be one of understanding and acceptance. In a unionized plant the device of working with a union time-study steward has been found by many companies to help solve this problem.

Civilian Output Curtailed

IN A RECENT *Mill and Factory* survey of 250 companies, one-third indicated that they have had to curtail production of civilian goods because of government controls.

Inability to get materials was the reason cited by 76 per cent of these respondents. Items such as steel, aluminum and copper were mentioned particularly as being short. Labor scarcity is only a minor cause.

Almost half the companies that have had to cut-back production have been forced to lay off employees. However, 79 per cent expect to regain their full production within the next six months, either as a result of defense orders or of changing product design so as to be able to use available materials.

About 57 per cent of respondents think government is curtailing civilian production too drastically for the good of the economy.

A \$1,000 Idea for Better Purchasing

REVAMPING THE SYSTEM for purchasing castings was the idea which won a \$1,000 suggestion award for Lawrence F. Reno of the Die and Machine Plant operated by the Fisher Body Division of General Motors in Detroit. The suggestion by Mr. Reno eliminates from this operation approximately 91 per cent of stenographic time formerly involved and up to 75 per cent of the buyer's time spent on these items, and greatly simplifies the processing of forms and duplication of file information.

Under Reno's award-winning system, a blanket purchase order is now issued once each year to the outside sources from which castings are normally purchased. Terms and prices, so far as possible, are determined at this time. Requisitions are replaced by a material release form. When castings are required, the plant submits the original and five carbon copies of this form, stating the part number, type, and quantity required. The Purchasing Division determines the source of the castings, inserts the supplier's name, blanket purchase order number, and price, signs the original and forwards it to the vendor, without the necessity of copying listed information and issuing an additional form. Carbon copies are distributed as in the case of purchase orders.

The blanket order system does not in any way by-pass the Purchasing Division, nor does it preclude competition or the use of alternative sources of supply. In addition to the obvious advantages of slashing paper work and saving of buyers' time on repetitive orders, there are substantial benefits to purchasing in that a more thorough job of selection and negotiation can be done on the once-a-year order, and the filing of material releases with the blanket order of which they become a part provides a complete history of purchase and use, item by item, in a single coordinated record.

—DWIGHT G. BAIRD in *Purchasing* 3/51

Plant Feeding by Automatic Equipment

A GOOD MANY QUESTIONS that usually arise in the mind of the employer considering the use of automatic in-plant feeding equipment have largely been answered in recent models.

The employer will want to know what kinds of foods are possible under this system. While selection is somewhat limited, a fairly wide menu is possible, including such items as: milk, chocolate milk, ice cream, candy, cigarettes, sandwiches, cake, pies, soft drinks, cookies, coffee.

Who looks after the equipment? Today there is very little trouble with automatic food merchandising devices. Once the equipment is running smoothly, mechanical servicing needs are surprisingly infrequent. These attentions, however, are the final responsibility of the operator of the equipment and his people. He realizes his profit through sales, service, maintenance, etc.

Of special interest today is the development of refrigerated automatic merchandising units which dispense such items as sandwiches—usually five kinds, among them American cheese, egg salad, pressed ham, roast beef or boiled ham, or other popular demand combinations. There is also a refrigerated automatic machine for dispensing chocolate milk (the most popular of all) and fresh dairy milk. Ice cream either on the stick or in sandwich form is also handled by a refrigerated unit, as are pies, cakes, and pastries.

The question of change-making—which always has been a problem in the development of automatic merchandising—has been largely answered, too, in recent models which will take several types of coins and give back the correct change.

—S. K. HARGIS in *Connecticut Industry* 3/51

Pointers on Plant Security

SINCE spying and sabotage are, at present, the chief means at the disposal of an enemy for injuring American industry, planning for plant security is on the agenda of most employers today.

One of the defense measures against sabotage is the making of plant surveys and consultations to uncover vulnerable spots. This is the job of the Munitions Board of the Department of Defense. The FBI also participates by screening employees working on "top secret" defense contracts and by investigating all cases of sabotage or suspected sabotage.

There are different security rules for handling classified material and different interpretations placed upon similar rules. The best method to adopt is the practice of the most stringent service, the Navy, which insists that all employees who are to work on projects of any classified nature must be cleared in advance of their being hired or transferred to these projects.

Among the precautions taken by various companies to insure security are the following: *Photo Identification Cards*. As a convenience to employees and as a security measure, the General Electric Company issues a photo identification card to help establish identity if a man forgets his badge. *Use of Fluorescent Materials*. Westinghouse Electric Corporation has found that the

use of fluorescent materials and other new lighting methods can almost eliminate the dangers of spying and sabotage. *Use of Radio Energy*. Radio energy installed at entrance points is another protective device.

More and more companies are girding themselves for home defense by showing their employees films or by distributing literature. A slide film used with great success among people working on classified projects and available in two versions—one for factory and one for office workers—is "Security . . . It's Up to You." Also useful is a brief but effective leaflet called "Are You Security Minded?", which includes a self-rating quiz on six important security principles.

Illustrative of the anxiety of American industrialists about the possibility of sabotage is the action of the Socony Vacuum Company. It has designated \$300,000 to be offered as rewards for information against saboteurs in the company's plants, beginning with a first prize reward of \$25,000 in cases where the death of an employee is the result of such sabotage. The company spokesmen state that while they do not regard war as imminent, they do look upon sabotage as one of the gravest dangers to national security and believe that a company "should take appropriate preparedness measures just as our government is doing."

—The Employers' Association of Chicago, 75 Wacker Drive, Chicago 1, Ill.

Toward More Efficient Inspection

As material shortages complicate production and manpower shortage brings more unskilled help on the production line, all companies will find in-

spection problems multiplied. New tools and techniques can cut inspection time and can mean less scrap and rework, fewer returns, and better quality.

The following suggestions for using these tools and techniques may prove helpful in solving your inspection problems:

Start by weeding out unnecessary inspection. Check these questions particularly:

1. *Do you inspect all incoming materials the same way, regardless of supplier?* It is best to classify companies by the average quality standard of their shipments to strike a balance between too little inspection and too much.

2. *Can inspection be combined with a production operation?* Fixtures on succeeding operations can often be designed to serve as gauges which detect a missing or incomplete operation. Also, skilled operators can check their own work.

3. *Can you by-pass any in-process checks?* Inspections sometimes become unnecessary when the quality level of a process is improved through better machinery, work methods, etc.

Scientific sampling techniques have been refined considerably in recent years. The following program set up by an electrical equipment manufacturer may spark ideas for your operation: (1) Parts made in the shop under close control, as on a punch press, get by with a "first-piece" inspection. (2) When outside parts, ordered to strict specification, are used, an indefinite number of samples is taken until the number of rejects qualifies the lot for acceptance. (3) Items made under variable conditions are inspected by standard double sampling methods, using published Dodge-Romig tables. Defectives up to 2 per cent are allowed—the cost being more than offset by savings in inspection.

In some situations, ordinary acceptance sampling is uneconomical and control charts too expensive. One company solved the problem with a "classified sampling" program. First, the com-

pany defined its quality objectives. Then it classified all products as A, B and C depending on their past quality performance and the amount of inspection required. Next, inspection cost was analyzed. Expense was over \$3 per 1,000 units on Class C products, about \$1 on Class B, and about 25 cents for Class A. A quality control drive was begun to improve Class C and within two months many Class C products were reclassified as B. The job continued until the company raised all product types to Class A. The combined average inspection cost was cut to 20 cents per 1,000 units from the original \$2.

Inspectors themselves are often left out when management moves to boost general productivity. In examining the inspector's role, ask yourself if you can simplify inspection jobs, if your inspectors are sufficiently trained, if you make maximum use of sorting devices, and if your inspection devices and equipment are kept up to date. (Such recent developments as General Electric's "Quality Control Indicator," a dye penetrant method for hard-to-inspect parts, and electronic gauges take much of the human factor out of inspection, leading to greater accuracy and reduced inspection time.)

It is a good idea to consider the use of incentives for inspection. One manufacturer boosted inspection volume by 33 per cent in peak periods without hiring additional inspectors. In using incentives, however, keep the following considerations in mind: (1) Payments should be based on accurate standards of efficiency. Norms based on area productivity are too loose while those geared to output of previous inspectors are unfair. (2) Inspectors shouldn't be penalized when manufacturing output falls. (3) Provision should be made to spot and correct temporary lapses in efficiency.

—*Operations Report*. Research Institute of America, Inc.,
292 Madison Avenue, New York 7, N. Y., March 27, 1951.

Functional Use of Color in Industrial Painting

THE past decade has seen a revolution in industrial painting concepts comparable in many ways to the introduction of modern production techniques in manufacturing. Industrial painting has become *functional*, saving dollars and cents through increased production, reduced absenteeism, improved safety, better housekeeping, and higher employee morale.

The scientific use of color is essentially the practical application of well-known color information to our industrial problems. We know, for instance, that light green is a restful and cool color—so why not use green to paint a disagreeably hot heat-treating department?

Probably the most important application of color conditioning is the control of brightness, light intensity, and glare. The industrial worker must frequently subject his eyes to alternate bright and dark several times a minute, an adjustment which causes considerable fatigue. The use of scientific color has helped reduce brightness ratios from 100 to 1 to less than 5 to 1, thus effecting a tremendous increase in worker efficiency.

Scientific color is important, too, in painting machinery. By painting the work area or moving parts a lighter tone than the machine itself, we can draw the worker's attention to his work and to any hazards of his machine.

The functional use of color can correct the problem of after-image. Paint-

ing walls in colors complementary to the object constantly observed by the worker can reduce the annoyance of persistent after-image.

An important factor to be considered in industrial painting is color preference. When painting a plant interior, it is important to know that women prefer red, while men choose blue as their favorite color. The effect of color on various objects—food, for instance—must also be given attention.

Color has emotional value; it can excite or subdue. The stimulating colors—red, for example—and the subduing colors, blue and green, should be used with caution to avoid an overstimulating or a depressing atmosphere. These colors, however, can be employed effectively in varying the color schemes of different departments in order to relieve monotony.

The safety color code is a final example of the functional use of color. This code, utilizing the attention factor in color—for example, yellow for most serious hazards, red for fire protection, and green for safety—has been highly successful in reducing accidents in industry.

Since maintenance painting is functional in nature, it is usually poor economy to use an inferior finish, for the repaint cycle is thus shortened. The scientific use of color should be regarded as a justifiable manufacturing expense that can return good dividends to the company.

—A. D. BUSCHMANN. *Modern Sanitation*, February, 1951, p. 16:4.

MECHANICAL MINERS: Mechanical "do-all" miners are on the march in the soft coal industry. The machines, which were scarcely more than a dream until three years ago, combine four separate mining operations into one. They cut and load the coal in one operation and eliminate the need for drilling and blasting. These "do-alls" have demonstrated that under certain conditions they can triple productivity of the men who work at the face of mines (the working area where coal is dug) and that, on the average, they can cut costs of face labor by between 30 per cent and 50 per cent.

—*The Wall Street Journal* 3/13/51

Developing a Self-Inspection Program for Safety

AWARE OF THE IMPORTANCE of a complete and regular self-inspection program as an essential to any plan for achieving fire safety, National Dairy Products Corporation prepared a comprehensive safety manual.

Subjects covered include care and maintenance of automatic sprinkler systems, instructions for use and maintenance of first-aid fire appliances, fire preventive measures, and causes of fires. The assignment of responsibility for fire prevention activities at each plant is clearly defined.

The plan is kept in active operation by monthly committee meetings held at each plant, attended not only by each division's Safety Director and plant management but also by supervisory personnel from production, maintenance and plant engineering.

Much of the success of this plan can be attributed to the periodic preparation, careful study, and corrective action taken on subject matter brought out in their *self-inspection reports*. In fact, the self-inspection report is the nucleus of their fire safety program and is one of the principal reasons for the success of their nationwide loss-prevention undertaking.

—Sentinel (Factory Insurance Association) 4/51

Appropriations Help to Guide Maintenance Program

MAINTENANCE at the DeLaval Steam Turbine Company, Trenton, New Jersey, functions under an appropriation system. Funds are made available by an Appropriation Application, consisting of two forms.

The first indicates whether the appropriation is a Special or an Annual one, which division and departments benefit, a concise outline of the project, the economic or other gains to be derived, whether it is of a capital or expense nature, estimated cost, and estimated closing date. A Special appropriation is for a project that is of one nature and will not be repeated; it may be for the modernization of an entire department, or for the purchase of a single piece of equipment.

The second form is the Appropriation Schedule. Here each phase of the project is described, and the capital or expense account number is assigned. The writing of appropriations serves a good purpose. They require planning of activities. They present a clear picture of what management must provide for, or what management feels is unwarranted or should be postponed. They stimulate a search for new materials and new methods so that the maintenance dollar will go farther.

—R. S. WILLIAMS in *Purchasing* 3/51

Scientific Method for Rating Time Studies

"HOW DO YOU RATE the speed of an operator?" That's the question that starts most arguments about time studies.

After 11 years of research, the Society for the Advancement of Management and New York University have developed a set of films to provide a scientific answer to this problem. Through these films, engineers, foremen, executives, union time-study stewards and others can now be trained to know how the idea of "average" performance can be memorized and used to measure work in the time-study process. This film gives supervisors an objective yardstick for rating pace in manual work. It will help those who must answer the question, "What is a fair day's work?" The films were built up from basic data rated by 1,100 time-study men in over 150 companies. Thus an average picture of proper performance is "set" for study and training.

Incidentally, the impression that there are regional differences in the concept of proper performance found no proof in the data collected for this study.

Further details are available from the SAM, 84 William St., New York 38, N. Y.

Materials Substitutes: It's Later than You Think

IN A RECENT survey of manufacturers and trade associations in a wide range of industries, well over 90 per cent reported that one or more of the materials essential for their production was already short, and still others were likely to be. Yet only about 50 per cent are looking for alternates; and only about half of these have ever started a research program.

Already, end-use limitations have caught up with many manufacturers who thought they were "safe." And real restrictions are only beginning. It is true that some shortages—particularly in metals—are owing to stockpiling. These could ease overnight with a change in stockpile policy. Too, materials production is being vastly increased. But many shortages are long-term. Chlorine, for instance, was tight before Korea, and is likely to continue tight for the next two or three years at least.

Second, a number of companies feel that when the pinch does come, they'll have a ready-made solution in World War II substitutes. That comfortable feeling may be based on a false assumption. In many cases, new developments in manufacture have made obsolete the equipment and experience gained in use of substitute materials in packaging products in World War II.

Substitutes will be necessary. In this connection, it's well to remember that it may be necessary to use two, three, or even more materials almost simultaneously to keep production rolling. Thus, Hoover Co., North Canton, Ohio, is redesigning its vacuum cleaners to use either steel or plastics, or both, in place of aluminum. Hoover is building experimental models, and making the necessary tools. Then, whatever material is available can keep production going.

On those materials where supplies are definitely to be cut—copper, for

instance—Hoover is preparing a complete changeover of all non-functional, non-electrical uses. Here, it will substitute steel. For motor commutators, it plans to use a plastic-copper material, to be made by its British subsidiary and imported for use here. To save zinc, organic surface finishes are replacing zinc plate and die castings are reduced in size as much as possible, and alternate designs are being prepared in aluminum and plastics.

Lyon Metal Products Co. is extending its metal supply by producing wood-and-steel shelving as well as its all-steel line. Introducing the new product, Lyon announced: "Although steel shelving is still available, the wood-and-steel line offers the customer a much shorter delivery date."

In planning for substitutions, manufacturers might take a leaf from the book of such pioneers as Yale & Towne: Six months ago, sales and engineering experts surveyed their entire line of locks and hardware to consolidate models and eliminate those items which used relatively large amounts of materials that were likely to become short.

From over 1000 items, they selected 100 models, most popular and most economical in use of materials, and began to concentrate production on that group. Customers were notified and asked to confine future orders to the selected items. That gave customers a break, and earned plenty of good will. It gave them a chance to concentrate their inventories on those items which would continue to be made—and to prepare for shortages to come.

Alternates, of course, have their price. Some kind of compromise—in design or production method, if not in price or quality—is almost always involved. Because substitutes do pose problems, and because they, too, may be far from abundant, conservation is often the first and most practical step

in times of shortage. This is particularly true when use of the primary material is limited rather than prohibited. A plant faced with an 80 per cent limitation order may well be able to get

by without using substitutes if it can save material by reducing waste, making sure oversize stock is not used, eliminating extra thicknesses and the like.

—*Modern Industry*, March 15, 1951, p. 40:6.

If You Want Subcontract Work

AT THE PRESENT stage of the national defense program, many more companies are seeking subcontracts than there are subcontracts to go around. Hence, those seeking subcontracts must work all the more aggressively if they are to get this type of business.

There are certain aids in soliciting subcontracts. Companies wanting subcontracts will find that most government contracting officers will discuss the solicitation of subcontracts in their field. Therefore, a company desiring subcontracts would be well advised to have a representative call regularly upon nearby contracting officers. Lists of federal buying offices are also available. One each should be procured for Army, Navy, Air Force and civilian federal purchasing agencies from the U. S. Government Printing Office, Washington 25, D. C.

One of the most important aids to a company soliciting subcontracts is the list of companies which have been awarded "non-secret" prime contracts in excess of \$25,000, their addresses, the kind and quantity of goods called for in the contract, the dollar amount of each contract and the name and address of the government contracting agency involved. This list, called "Consolidated Synopsis of Contract Award Information," is compiled and released by the Department of Commerce. It is an ideal prospect list for the subcontract seeker, telling him exactly who his prospects are. The list is published each week. Copies

may be picked up by messenger at any Department of Commerce field office; the Department will not mail them.

In addition to these aids, there is an important selling technique which sets subcontract solicitation apart from ordinary selling: *A company must emphasize its ability to meet specifications exactly.* The best way to do this is by way of a very simple presentation of the facts about one's company.

A party seeking a subcontract should first prepare a general description of his plant, facilities and location. Next, he should prepare a list of his equipment with brief description of the type, size and condition of machines. Next, a statement should be made as to how much machine capacity is available. A potential subcontractor should also tell the prime contractor what his capacity or source of new tools is—or would be—and what kind of delivery facilities are available.

In selling services to a prime contractor, it would be wise to give a description of your organization, some information on your key personnel, the number and kind of employees on your payroll, and any other pertinent information relating to your present labor force and the available labor supply.

A prime contractor will want to know whether you maintain adequate cost records—records which would satisfy government requirements. Can these records be verified by govern-

ment audit? Will you be prepared to give the government copies of your invoices to your prime contractor? Or invoices from your own suppliers? Prime contractors are also interested in

the current financial ratings of those they are considering as subcontractors. Finally, be sure to relate your previous experience, if any, as a subcontractor.

—GUENTHER BAUMGART. *Commerce*, February, 1951, p. 13:4.

Also Recommended . . .

QUALITY CONTROL AT TALON, INC. By J. Stuart Zahnheiser and D. Lehman. *Industrial Quality Control* (American Society of Quality Control, Inc., 239 East Chicago St., Milwaukee, Wis.), March, 1951. The application of statistical quality control methods to a manufacturing operation requiring high speed and precision is the subject of this detailed case account. The statistical tools used are simple, readily explained to workers, and have effected a 25 per cent reduction in scrap and a 50 per cent increase in tool life, among other worthwhile results.

HOW TO BUILD A MAINTENANCE PROGRAM NOW TO FIT THE NATIONAL EMERGENCY. By Charles C. Winston and Stephen C. Hamlin. *Factory Management and Maintenance*, March, 1951. This article presents a checklist for rating present maintenance practices and outlines a six-step program for improving them (authorizing maintenance work; planning and scheduling; preventive maintenance problems; workload measurement; maintenance stores control; relations between manufacturing and maintenance departments).

PREVENTIVE MAINTENANCE KEEPS INDUSTRY ROLLING. By Neil A. Maynard. *Industry* (Associated Industries of Massachusetts, Boston, Mass.), February, 1951. Long deliveries of new equipment and renewal parts stress today's need for conservation, good plant house-keeping, adequate parts, and systematic maintenance checks. Mr. Maynard discusses the essentials of a well-planned preventive maintenance program.

OPERATION RECORDERS HELP IN MAKING TIME-STUDIES. By Alex N. Engblom. *Textile World*, March, 1951. Mechanical recording devices coupled to machines can tell what machines are stopped, when, why, and for how long. Data can assist in making time-studies, furnish wage-incentive information, promote quality control, improve supervising efficiency, and provide information for planning and costing.

WHAT ARE THE ESSENTIALS TO MAKE PREVENTIVE MAINTENANCE PAY? By Maurice Olchoff. *Proceedings of the 14th Annual National Time and Motion Study and Management Clinic*, Industrial Management Society (35 East Wacker Drive, Chicago 1, Ill.), 1950. Discusses the basic requirements of a sound program of preventive maintenance. The author draws upon his own company's experience in building an effective maintenance program to illustrate many of his points.

MAYBE A GOOD DETECTING SYSTEM IS WHAT YOUR PLANT NEEDS. By Lawrence Stessin. *Mill and Factory*, April, 1951. Millions of dollars are lost by industry each year through pilfering of small parts or products. A plant-by-plant series of visits by *Mill and Factory* reporters shows what can be done to keep stealing at a minimum.

FACING THE NEED FOR MAINTENANCE. By G. F. Utter. *The Cleveland* (The Cleveland Chamber of Commerce), March, 1951. Reports what companies are doing to meet the maintenance problems of accelerated defense production and to prolong the life of tools and equipment which are becoming increasingly scarce.

THE FUNDAMENTALS OF PLANT SECURITY. By W. Y. Humphreys. *Connecticut Industry* (Manufacturers' Association of Connecticut, Inc., Hartford, Conn.), April, 1951. One of the country's foremost plant protection authorities highlights the essential points in establishing a first-class plant security program.

YOU CAN'T BE HALF-HEARTED ABOUT MODERNIZATION. *American Machinist*, April 16, 1951. An absorbing study of an 8-point modernization program instituted by a manufacturer of fine textile machinery. Total equipment has been cut 27 per cent; half the company's tools now are less than 10 years old; productivity shows satisfactory gains.

Marketing Management

Tough Selling Days Ahead

BUSINESS executives who are looking back at the course of our economy during and after World War II as a guide to their planning in the present situation would do well to make sure that they are looking at all the factors involved. The economy today is completely different from what it was at the beginning of the last war.

In the five years preceding the last war total national income in the United States grew from slightly over \$60 billion to slightly over \$80 billion. In the five years preceding the present emergency, total national income was \$180 billion that first year and has been climbing spectacularly until at present it is nearly \$230 billion.

As for wages and salaries, not only have average weekly earnings increased rapidly during the past five years as compared with an almost flat level in the five years preceding the war, but "real wages" are approximately 40 per cent higher than they were during the earlier period.

Despite the increase in consumer price index and in tax levies, the average family is better off than before the war.

The consuming public is sitting pretty today. And more jobs and money are not new things. Most of the public have a pretty good share of the essential things of life—and a fair amount of luxuries too. No producer

or distributor of goods or services can sit back and feel that the war economy will bring a rapid rise in buying on the part of the public, as it did from 1940 on. We are not at that 1940 level, and the holdings of the public are not at that level.

Every indication points to a rise in most factors, including incomes, prices and taxes. But there can be no such sharp rise as took place during the past war and immediately thereafter. As pointed out, the present level is so much higher that it is impossible for these levels to increase as rapidly or to the same extent.

Marketing, selling and advertising have a job to do during the period ahead of us. Generally speaking, goods moved during the World War II period regardless of advertising. Today, the situation will be different. Business must watch and study every minute in the time ahead and organizations having goods or services to sell will have to use intensive marketing and advertising.

The businesses dealing in those products which will be available will find this their opportunity. But they will have to work for it. For the inclination on the part of most families will be to wait until they can get the specific things they want. It will be up to business to make them want the things which business has to offer.

—EVERETT R. SMITH and DOROTHY L. MCGOWAN. *Sales Management*, February 1, 1951, p. 37:3.

FOLLOW-UP FOR SALES: According to a survey, 80 per cent of all sales are made after the fifth call. The survey also showed that 48 per cent of the salesmen made one call and quit, 25 per cent made two and quit, 12 per cent made three and quit, 10 per cent kept calling—and made 80 per cent of the sales.

—*National Sales Executives Digest* 3/51

Salesmen's Compensation: A Survey

At the present time, one out of four sales managers is actively dissatisfied with his company's compensation plan and is seeking improvement. This fact was one of the major findings of a questionnaire survey conducted by the Graduate School of Business Administration at Harvard University and the National Sales Executives. Designed to collect statistical data providing a current cross section of compensation practices and levels of salesmen's pay, the survey covered 1,011 different companies, 1,243 salesforces, and 92,667 salesmen. The following are other findings of the survey:*

USE OF COMPENSATION PLANS:

(1) There were examples of each kind of compensation plan (straight salary, combinations of salary and commission or bonus, and commission plans) in every industry and every kind of salesforce. (2) More than half of the salesforces were paid a combination of salary and incentive earnings. (3) There has been a marked trend toward combinations of salary and incentive pay as a result of the need for more incentive in selling and, at the same time, salesmen's desire for a measure of stability in earnings. (4) Salary and incentive plans predominated among salesforces of all sizes. (5) Special compensation plans for trainees were found in 557 salesforces while in 551, trainees were included in the regular plan.

LEVELS OF INCOMES:

(1) Earnings of individual salesmen ranged from less than \$1,000 to \$75,000. These ranges were wider than could be explained adequately by the differences in job requirements and caliber or experience of the salesmen. (2) The

average for all salesmen was \$5,400. (3) Men selling consumer products were generally found to earn less than those selling commercial and industrial goods. (4) Salesmen paid straight salary were found to have lower earnings than those paid commissions and bonuses; most salesmen with extremely high earnings were paid on a commission basis. (5) About 75 per cent of salesmen's earnings, on the average, was fixed income. (6) Trainees' earnings averaged \$3,000 and ranged from \$800 to about \$6,000.

RELATION OF COMPENSATION AND CHARACTERISTICS OF THE SALESMEN'S JOBS:

(1) Type of company worked for, classes of buyers solicited by the salesmen, tasks performed, and training and educational background affected the amount of income and to a lesser extent the compensation plan. (2) Manufacturers' salesmen generally received higher incomes and a larger proportion of earnings as salary than wholesalers' and retailers' outside salesmen. (3) Wide ranges of earnings and wide choice of compensation plans were found among salesmen calling on each class of buyers; salesmen calling on manufacturers had the highest average earnings, but those salesforces calling on retailers only had highest maximum earnings. (4) Consumer product salesmen with routine jobs generally received below average earnings; those with highly creative sales assignments received high earnings, as did commercial and industrial products salesmen.

TURNOVER, SOCIAL SECURITY, PENSIONS, AND UNIONIZATION:

(1) In general, commission plans of compensation were accompanied by higher turnover than salary; salary and incentive combination plans fell between. (2) Almost all the salesmen included in the survey were covered by

* *Survey of Salesmen's Compensation.* By Harry R. Tosdal and Waller Carson, Jr., National Sales Executives, The Hotel Shelton, New York 17, N.Y. 1951. 73 pages. \$2.00.

social security in 1949. (3) Almost half of the salesforces were included in pension plans, along with other employee groups in the company. (4) In only 4 per cent of the reporting salesforces were salesmen unionized.

ADMINISTERING SALESMEN'S COMPENSATION:

(1) Skill and care in solving fairly the detailed and frequent operating problems concerning salesmen's compensation were found to be as important as the nature of the plan itself. (2) One out of four sales managers was actively dissatisfied with his company's compensation plan and was seeking improvement. (3) No compensation

plan represented a complete solution to the problem of paying salesmen adequately and fairly in all situations. The relationship of fixed and variable elements in the salesmen's pay, the level of income, and the wide range of particular problems in administering compensation must be worked out in the light of each company's circumstances, past experience, and objectives. (4) The compensation plan is only one of the managing techniques available to sales managers. Other factors such as the supervision of the salesmen, definition of objectives, training, and the relationships salesmen develop with their customers and prospective buyers should also be stressed.

Ten Timely Commandments for Salesmen

1. Do sell your company's sincere intentions. Even though that may be tougher than selling merchandise in normal markets, it's still the reason you're on the road.
2. Don't take the "easy" way out; don't pass the buck to the home office whenever a customer complains about his allotment.
3. Don't be naive—don't be a sucker. Many of the allotment complaints you run into are simply efforts by your accounts to see how much they can get by putting up a fight.
4. Don't give a distributor a plussage on his allotment. He will wonder how much more you're giving or promising other accounts the minute you leave!
5. Don't be fooled by the "prospect" who now woos you—by distributors who "always" wanted your line but somehow never quite got around to signing up—until they were desperate for merchandise.
6. Don't be an A.A.—an "allotment alloweer." He's the "salesman" who does the trade an "enormous favor" by giving them their fair allotments.
7. Do mix allotments with helpmanship. Helpmanship was always the best salesmanship—but when merchandise is scarce it's the only form of salesmanship.
8. Do remember that the home office must take a broad—often rigid—view. You can be sure that you'd be much "wetter" under a leaky allotment program than under a watertight program.
9. Don't rush your customers. Haste not only makes waste—but in "allotment times" it makes enemies.
10. Do continue to call on prospects. They may demand to know why you're calling if you can't give them merchandise. But they'll raise more Cain, comes peace, if you've stayed away.

—Grey Matter

STATISTICS show that in 1956 we will have as many pupils in the first eight grades as we now have in all twelve grades.

—Phi Delta Kappan

Six Steps to Ease War-Induced Worries of Salesmen

YOUR salesmen are worried about the security of their jobs, about their pay from commissions, about their territories, about their job routines, and about their future with you. Most of all, however, they are worried about whether you have a *plan* for facing the problems of a mobilization economy. Here are six suggested steps toward solving the problem of your salesmen's feeling of insecurity:

1. *Determine how many men you need.* Select the key accounts on which you are dependent for the major share of your business. Determine what you want your men to do in order to preserve relationship with these accounts. Then decide how often it will be necessary for them to call each account and the amount of time that will be needed for each visit. If you divide the total man-hours per year that must be devoted to the selling task by the number of hours of work that one man can put forth during a year (approximately 1,300), you will find out how many men you need.

2. *Determine how many men on your present sales force you can keep.* Take an inventory of your sales manpower, determine the military status of your men—and other conditions affecting the likelihood of their continuing service—and decide how many of them you can reasonably expect to keep under a period of fairly complete mobilization.

3. *Tell them the score.* You will want to compare the number of men

that you will be likely to keep with the number of men that you are going to require. If a surplus is indicated, check with the heads of other divisions to see whether they will need any of your surplus manpower, decide which men are not worth keeping because of poor performance and lack of promise, and then tell each man individually where he stands.

4. *Adjust your compensation plan to wage and salary stabilization.* The experience of the last war indicates that a straight-salary plan or a salary plus bonus is the most practical arrangement. Your plan should include proper classification of all jobs, with rate ranges for each classification. The ranges should have sufficient spread to permit merit increases, and the plan should provide for merit reviews on a regular basis.

5. *Realign salesmen's territories.* It is essential that the over-all task be divided as equally as possible. The calculation used in Step 1, involving the number of accounts and the time to be spent with them, will provide the basis for equitable division of sales workload among territories.

6. *Train the men.* Obviously, the revised job will be substantially different from that which the men have been called upon to do under a competitive economy. Don't leave it up to each man to figure out for himself the best way to utilize his time. This is a matter for management decision, and the men should be instructed in what they are to do.

—CARL T. HOFFMAN. *Sales Management*, January 15, 1951.

ADVERTISING, according to an old saying, is a young man's game. Recently, *Advertising Age* checked 109 obituaries of advertising managers and agency personnel in 1950 and found that the average age at death was 57.5 years. United States life expectancy in 1948: 67.2 years.

—Time 3/12/51

Sales Potential of the Rural Market

Too many manufacturers and distributors think of sales in terms of New York, Chicago, Boston, and San Francisco, short-sightedly directing their appeals to only one section of the market. These cities, great though they may be, are only a few spots on the vast dollar map.

There are 17,000 rural communities with less than 25,000 population, and many of the retailers in these towns are neglected by manufacturers who concentrate advertising and sales promotion in large industrial centers. It is worth remembering that 54 per cent of America's retailers are in small townships of this kind.

The following facts and figures about farmers are revealing: Their total income in 1948 was 41,200 million dollars, against 12,500 million dollars in 1939; they now own 90 per cent of their land and equipment; their standard of living has increased by 25 per cent since 1940; they are the nation's largest buyers of petroleum products, and huge buyers of building material; farm bank accounts have grown three times as fast as city accounts since 1945. With, in addition, his car, telephone, radio and tractor, the American farmer today has wants no different from the city business man.

Though volume of sales is generally thought of in terms of big population

centers, wholesaling, not retailing, is the biggest business in big cities. Who retails what big city wholesalers sell? The answer is, retailers in the smaller cities and towns.

But this is only part of the story. Shopping habit studies reveal that the retail sales of a typical big city are just about doubled by the customers who live in surrounding districts. Indianapolis is a good example; nearly half of all retail purchases are made by people living outside the city.

Since magazine advertising sells to people where they live—regardless of where they buy—the importance of reaching the right people in their homes is self-evident. In rural areas, the largest single segment of the American market, not one of the great weekly magazines is a best seller, not one makes anywhere near the number of calls per thousand families that it makes in the rest of America.

An approach can be made through the farming journals, which offer a unique service. These are affectionately regarded by the farmers as their own papers. Several of them have national circulations, with two exceeding the two million mark. Each state also has one or more farm papers of its own. These journals cover, like newspapers, the rural customers of both big and small city retailers.

—*Advertising Weekly*, Supplement No. 2, December 28, 1950, p. 18:2.

What Happens to Your Customer's Order?

IN ADDITION to their products, industrial manufacturers and representatives must sell service. A well-served customer becomes a better customer. A good customer poorly serviced is eligible prey for competition. Here are

some suggested steps in servicing an order:

1. *Evaluation.* Decide whether special attention is required; if so, what action shall be taken. Evaluate the reasons for urgency. Check customer's

record of previous business. Check the job application which may have immeasurable promotional value. If the order calls for replacement of a competitive product, your best and fastest service should be given. Size of the order does not tell everything. A rush job, well-handled, can well lead to larger orders in the future.

2. *Follow-Up.* Let the customer and representative know that the order has been received and entered by sending out acknowledgments promptly. If delivery cannot be made by date requested, suggest part shipments or write a letter of explanation. Don't put the burden of follow-up on the customer and cause him unnecessary expense.

3. *Accuracy.* Give the customer the goods he orders and in the manner specified. Incorrect items and quantities, and short shipments, are a nuisance, definitely detrimental to good business relations.

4. *Proper Packing.* Pack goods to insure delivery in good condition. Damaged goods do not satisfy the order; they delay the job and impair the customer's service to his customer. Recovery of damages from the carrier is a nuisance and does not rectify the harm that has been caused.

In evaluating orders, you may be

faced with the following situations:

1. Orders that come in without any accompanying letter or special requests. These are put through the regular routine, and in most cases everybody concerned will be satisfied and happy.

2. Orders that come in with an explanation of why they should be given proper attention. These have to be considered and evaluated carefully.

3. Orders that come in by airmail, special delivery. Usually they are accompanied by letters appealing for quick handling and shipment. It is wise to heed these requests. It is evident that the representative or customer has already given extra attention and service to the particular job, and it is your obligation to provide equally preferred service.

4. Orders that come in by telegram. Such orders, from representative or customer, really mean business! A telegraphed order should be given first preference over other orders.

5. Orders that come in by long-distance telephone. These are usually even more urgent than the telegraphed orders, as indicated by the added expense incurred by this method of ordering and the desire for personal contact. Such orders should get top priority.

—WALTER A. KURNIK in *Purchasing*.

Why Press Releases Don't Get Printed

IN ATTEMPTING TO OBTAIN PUBLICITY, many companies discover that much of their carefully prepared efforts do not seem to merit editorial expression. There may be several reasons for this. A survey by Industry Publicity Associates to discover the principal criticisms of trade paper editors revealed eight main objections:

1. Many releases were of no interest to the publication.
2. Too many superlatives, "plugs" and "puffs."
3. Failure to give name of person who might supply further information.
4. Use of "tomorrow" or some similarly vague word instead of specific date.
5. Trying to palm off old stuff as new.
6. Failure to send summary of story with lengthy documents.
7. Captions on back of picture.
8. Release to several editors instead of one.

—Marketing 3/17/51

Can You Afford a Market Research Department?

THE sum it takes to run a marketing research department is relatively low—often about .2 per cent of gross sales, or \$20,000 annually for a company grossing \$10,000,000.

The two big questions are: How big do you have to be to support a marketing research department at this rate, and is continued use and expansion of market research economically justified in a wartime economy?

When these questions were recently put to 30 industrial marketing executives, almost 90 per cent said emphatically that bigness, or sales volume, of a company played, at most, only a secondary role in the decision to set up a marketing research department. Factors cited as more important included: Nature of the company's operations (products, distribution outlets, size and type of market); enthusiasm and desire of management for marketing research; complexity and number of the existing marketing problems; growth prospects and position of the company in its own industry; frequency of product changes.

Some time ago the National Association of Manufacturers reported that where company sales are less than \$2,500,000 annually, few companies have established separate departments. F. W. Jenness, market researcher, Bauer & Black, Chicago, said: "This doesn't necessarily mean they shouldn't have them."

Observing that generally accepted expense to sales ratios for a marketing research department range somewhere between .15% and .20% of gross sales, one market research expert said:

"Since the minimum cost of a separately established function would undoubtedly have to be in the range of \$15,000 or \$20,000 a year to insure at least one adequately trained individual plus appropriate help and overhead, this would mean a company's gross sales should be in the neighborhood of at least \$10,000,000 a year." He qualified this statement, however, by saying that almost equally important fac-

tors are the diversification of the company and its products together with anticipated growth.

Marketing research is flexible, and it can justify itself economically under continuing use during partial or even a complete defense economy, say the marketing experts. However, they are apparently about evenly divided in their opinions on whether there will be an increasing or decreasing need for research as the country creeps closer to a full-time war economy.

The several reasons behind the thought that the need for research will be less are obvious. On the other hand, arguments that the need will be even greater in a defense economy are these: (1) Companies must at all times have their eyes on the future; (2) many problems raised by certificates of necessity can be answered by market research, particularly those dealing with the end-use of materials sold and what percentage of these goes to the military effort; (3) marketing research can help develop plans for selling available and non-military goods to the highest yielding market; (4) research efforts can help in obtaining government contracts and subcontracts; (5) discontinuing a market research department temporarily because of war could be just as expensive in the long run as continuing through the war period, because much of the success of research depends upon the continuous gathering of basic information, the continued acquaintance with all aspects of the particular business, and the continuity of specific marketing studies.

One of the best reasons for continued market research, and one of the most widely cited, was summed up by one research expert, who observed: "The need for research findings is greater in times of war. In many ways research amounts to looking for, and trying to anticipate, change. In times of war change is always greater."

—WILLIAM A. MARSTELLER, *Industrial Marketing*, March, 1951, p. 36:5.

Consumer Traffic and Store Location

SELECTION OF RETAIL SITES is an operation affecting importantly the efficiency of marketing. Location specialists, with the aid of new research techniques, have progressed far beyond the first attempts to establish a scientific basis for store location. These techniques take into account the structure of traffic and trade in the market, the qualitative nature of traffic as determined from the study of the daily travel habits of consumers, and the relative strength of consumer motivations such as the desire for convenience and for an adequate shopping selection of goods. As a result, a body of principles governing site selection is taking shape, arising both from individual location studies and from broader investigations of trade and traffic.

The origin and destination surveys sponsored by the Bureau of Public Roads have made available qualitative traffic data for more than sixty leading cities. The possibilities have scarcely been touched for application of these data to site selection and other marketing problems.

The Bureau of Public Roads has also sponsored an experimental study of the movement of goods and people in a typical metropolitan area. One of the concepts developed out of this movement study was the site efficiency ratio. The underlying principle states that the most efficient site for a given activity should minimize the movement of goods and people required by the activities carried on at that site.

The Traffic Audit Bureau has pioneered a distinctive approach to traffic which has fundamental implications for site selection. It made a study of daily travel by the residents of an urban area, recording actual routes followed in reaching such destinations as retail stores as well as places of work or recreation. It also obtained complete travel diaries for a 30-day period from a representative group of families. Cedar Rapids, Iowa, and Linn County, in which it is located, were selected for the purposes of this study.

Travel data of this type, when adequately analyzed, provide an entirely new perspective on where stores should be located for best service to the consumer.

—*Cost and Profit Outlook* (Alderson and Sessions), Vol. III, No. 4

How to Make Sales

LOST SALES are often due to failure to follow simple selling fundamentals. A reminder to your staff to keep the following rules in mind will pay off in increased sales:

1. Make common sense the basis of your selling talk.
2. Find out all you possibly can about the goods you sell.
3. Do not overstate your case.
4. Avoid quibbling, arguing, and flat contradiction.
5. Be mentally alert. Adopt a "Know Why" but not a "Know All" attitude.
6. Closely observe the trend of your customer's thought.
7. Do everything in your power to improve your personality.
8. Be pleasant, but do not indulge in the fatal habit of joking or familiarity.
9. Be constantly alert for new ideas.
10. Equip yourself with ideas and facts to meet objections.
11. Know when to stop selling.
12. Think things out for yourself.

—*The Red Barrel*

A RECENT SURVEY disclosed that 64 per cent of all executives earning over five thousand dollars a year have never been approached as prospective securities buyers. Statistics show, as a matter of fact, that only one American in 30 owns any common stock.

—*The Reporter*

Institutional vs. Brand Advertising

WHEN markets are competitive and profits are skimpy, most advertisers are too busy trying to expand volume and profits to use any major part of the advertising budget for any purpose other than to sell merchandise. But when merchandise moves to market on its own momentum, a growing number of advertisers begin to display a leader complex. Fancying themselves to be social Messiahs, they attempt to grab the mantle of national leadership under the guise of institutional advertising.

We have never subscribed to the self-assumed concept that all wisdom and righteousness reside at the head of the table. But even if that were so, we simply cannot see any justification—moral or otherwise—for using an advertising appropriation to promulgate the private, social or political theories of the heads of a business.

Obviously, we are not especially partial to institutional advertising anyhow—not even when it advertises the institution and for these reasons:

First, advertising the institution is a modernized version of old-time "factory picture" advertising. The public is little more interested in the institution than it is in the factory. *The public's primary interest is the public!*

Second, institutional advertising—particularly after copy has been blue-penciled by management and the ever-present legal department—is as far removed from the public's mores as a board of directors' room usually is from a super market.

Third, objective studies have time and again indicated that institutional advertising rates extremely low on every count.

We have no intention of being so

completely warped in our attitude as to damn all institutional advertising in all its manifestations. For example, we will undoubtedly see many advertising programs that tie up with government objectives that will deserve high praise. But we must confess that we worry about some so-called patriotic campaigns.

We object, for example, to what sometimes becomes a competition "to be more patriotic," by business rivals who, in more normal times, would be competing on grounds where their instincts are surer. This rivalry frequently leads to idiotic and even reprehensible extremes of misguided patriotism. It has not been unknown, either, for patriotic campaigns to be planned with the hope of winning the indulgent smile of certain influential people in Washington!

It is our deep conviction that—if we escape total war, with its concomitant of total industrial mobilization—the best contribution most advertisers can make to the national effort individually in the investment of their advertising budgets, is by using every advertising dollar to presell their brands against the return of competition.

After all, advertising's primary task during this defense emergency is to build up the brand to a point where it will be fully ready to compete in the true era of pre-sold brands that will mark the return of competitive markets. If that is to be called institutional advertising, let it be called institutional advertising. But let us make certain that we aren't led astray by a poorly descriptive term. And let us not try to usurp either government functions or the functions of political parties.

—Grey Matter (Grey Advertising Agency, Inc.) April 1, 1951, p. 1:4.

Also Recommended . . .

TEN WAYS TO KEEP DISTRIBUTORS WORKING IN A SEMI-WAR. By William A. Marsteller. *Industrial Marketing* (200 East Illinois Street, Chicago 11), April, 1951. Based on a survey of leading companies selling wholly or in part through distributors, this article reports the methods currently being used to keep distributors interested and active, even when there is little for them to sell. All the plans described entail close and regular contact by suppliers with their distributors and training and merchandising services to help distributors with their personnel and sales problems during the semi-war.

IT'S EASY TO DIG UP VITAL MARKET DATA WITH THE RIGHT TOOLS. By Arthur H. Dix. *Printers' Ink*, March 9, 1951. Some excellent tips on how to conduct market research on a shoe-string are provided in this guide to basic marketing data, much of which is available from local and federal government sources at very low cost. Also contains suggestions on the use of research and trade organizations and the company's own salesmen and distributor salesmen as sources of valuable market data.

DISTRIBUTION COST CONTROL—AND BEYOND. By E. W. Kelley. *NACA Bulletin*, April, 1951. The myriad ways in which marketing costs are incurred make their control far more difficult than the control of manufacturing costs. But cost accounting for distribution is as important to efficient management as cost accounting for production. The author of this article, whose company encounters an exceptionally wide range of marketing problems, offers many practical examples of cost-control reporting procedures which are keyed also to cost analysis needs.

ADMEN GIVE THEIR VIEWS ON WHAT AGE GROUPS BUY THE MOST. *Tide*, March 2, 1951. Recent survey findings suggest that marketers may be overemphasizing the importance of the age groups under 35 in relation to the total market, for 72 per cent of the durable goods purchasers in 1948 were over 35 years of age and 43 per cent were over 45. However, advertising executives polled on this question by *Tide* indicate a general inclination to keep on concentrating on the under-35 age group. This article gives the facts and figures on the question and some of the reasons why the majority favor the "accent on youth" in advertising.

SALESMEN POLICE THEIR EXPENSES IN UNITED BOARD'S PAY PLAN. By William G. Henry. *Sales Management*, March 1, 1951. When a salesman lets his expenses go above the base

established under the plan described here, he automatically boosts his own sales quota. This is just one feature of a plan that solves territory potentials, house-account problems, and keys salesmen's compensation to effort and results.

WHAT WHOLESALERS ARE DOING TO HELP SMALL FOOD RETAILERS. *Advertising Age*, April 9, 1951. A definite trend toward increasing wholesaler-retailer teamwork is apparent from the results of a recent study, reported in this article. Types of assistance given by wholesalers to small retailers include information about market conditions, advertising and sales promotion helps, procurement of retail store equipment, assistance in training, accounting aids, and various types of credit accommodations.

SOURCES OF INFORMATION FOR SALES EXECUTIVES AND SPECIALISTS IN MARKETING. Prepared by the American Marketing Association through its Committee on Bibliography for Sales Management, in cooperation with National Sales Executives, Inc. *National Sales Executives*, The Hotel Shelton, New York 17, New York. 1951. \$1.00. A bibliography for sales executives listing 497 of the best books, pamphlets, and articles on selling, distribution, advertising, and marketing research.

SALES TRAINING AND DIRECTION. Booklet No. 3 of a Series, "Managing a Business with the Help of Printing." Available from S. D. Warren Company, 89 Broad Street, Boston, Mass. Exemplifies how various forms of printed material are used by progressive business enterprises in sales management and marketing.

YOUR MARKET'S IN THE ARMY NOW! By Lawrence M. Hughes. *Sales Management*, April, 1951. To sell the Armed Forces exchanges: first create demand for your product through advertising. Price agreements help—but they don't guarantee orders. Then make sure both central offices and exchange officers know about your product. (Part II of an article on selling to the armed services.)

LEVER'S SCHNELLER SAYS ADVERTISING IS NO LONGER THE GIANT IT WAS. *Tide*, February 16, 1951. Advertising is not as effective as it used to be, declares Frederick Schneller, general merchandising manager of Lever Brothers. One of the several reasons he cites for the consumer's growing immunity to advertising is "the far-fetched logic of some of our advertising copy."

Financial Management

Tax Planning on Excess Profits

In a newly published guide to planning under the excess profits tax,* J. K. Lasser and William J. Casey have analyzed how 35 basic business steps are affected by excess profits legislation.

Tax costs are increased, for example, by such steps as retiring stockholders, retiring debt, and buying stock or exempt bonds. Buying assets for cash does not protect future income from excess profits taxes, while acquiring them for stock or notes does. Buying insurance on the lives of officers does not cut the credit, and when the policies mature, the credit is increased.

The actual arithmetic of doing business under the excess profits tax is an important phase of tax planning. Odds on a business risk for a company not yet in the excess profits tax bracket are set at 1 to 2.3. On the other hand, it is estimated that a company in the 77 per cent bracket faces odds of only 1.65 to 1 if additional income will bring it into the ceiling rate of 62 per cent.

A company which borrows money at 3 per cent interest makes a profit at 1.34 per cent on the borrowing alone, before the borrowed money

is used to earn additional income.

Issuing new stock or retaining earnings shows a yield of 3.6 per cent in tax savings.

An excess profits company has to make \$13 before taxes to service a 6 per cent debenture, where it has to make \$1,043.46 to service a 6 per cent preferred stock.

When new buildings and equipment qualify for five-year charge-off as necessary for defense, excess profits tax companies will recover 15.4 per cent of the cost in annual tax savings.

It is possible for a sale of buildings or patents, under today's inflated values, to produce annual tax savings which quickly offset the capital gains tax on the sale. The new owners get better excess profits tax protection and higher depreciation deductions. The original owner may find, when he has proven the profitability of a patent or other property, that he takes too much of a beating from the excess profits tax. A new owner, willing to invest money in a now-established property with much of the risk removed, will have a more favorable tax position. A consideration of these factors is pivotal to business negotiating and trading while the excess profits tax remains in force.

* *Tax Planning on Excess Profits*. Business Reports, Inc., 225 West 34th Street, New York 1, N. Y. \$24 (including supplements).

Capital or Expense?

ANALYSIS of maintenance expenditures in industrial enterprises brings to light impressive revelations as to their effect on profit or loss. The amounts

expended for maintenance and repair have an important bearing on net profit and on income tax payments.

Comparative analyses of maintenance

costs with those of other companies in the same industry may be misleading because of variations in accounting practices in the allocation of charges to capital or expense.

A consistent capital and expense policy is essential as a basis for establishing the depreciation provision, for budgeting purposes, and for the control of these expenditures.

This leads us to the question, "What is capital and what is maintenance?"

Capital could be a new building or a new machine or other item of equipment recognized as having permanence and value. It may be a replacement or even a partial replacement of an existing item. When replacements are made, the cost of the item replaced should be cleared from the asset account and the applicable depreciation cleared from the reserve account.

On the assumption we have in mind, maintenance items are expenditures representing work done—involving labor and material—which are required to keep the property in operation with a minimum of interruption and without extending materially the normal life expectancy. Such expenditures are proper expense charges.

Maintenance falls into two major categories, i.e., (1) preventive maintenance, which should be a planned procedure, and (2) extraordinary repairs, usually encountered as a result of long deferred maintenance or actual breakdown.

A policy of high preventive maintenance tends to spread the maintenance costs evenly over the successive accounting periods and to forestall those

major breakdowns which require unusually high expenditures in a single accounting period which distort the periodic earnings. Although, as noted above, maintenance is frequently defined as an expenditure which does not appreciably affect the life of the property units, nevertheless it must be recognized that a high preventive maintenance policy undoubtedly tends to prolong the over-all life of the property. Therefore, in establishing the normal expectancy of life of the property units and the resultant depreciation provision, consideration must be given to the maintenance policies in effect as well as to the accounting treatment of repairs and replacements.

In order to obtain a true picture of the maintenance cost, care should be taken to eliminate from the maintenance account any items which do not properly belong there. Ordinary house-keeping expenses such as cleaning floors and windows, removing waste, etc., should not be confused with maintenance. Nor should the maintenance account be burdened with expense charges resulting solely from the relocation of equipment, the demolition of buildings, etc., as these charges have no bearing on maintenance and their inclusion in the account only adds to the difficulty of measuring and controlling the meaningful maintenance costs.

A good property record supplemented by a manual governing proper and consistent accounting treatment of capital and expense charges is desirable and may be the initial step in establishing improved control of these very substantial expenditures.

—*Clients' Service Bulletin* (The American Appraisal Company, Milwaukee, Wis.), March, 1951, p. 2:1.

EXPENDITURES for new plants and equipment will amount to almost \$22,000,000,000 this year, according to a survey and report made by the Department of Commerce and the Securities and Exchange Commission. They will establish a new record, even above the wartime peak. This amount will be 20 per cent above the total which was spent for this purpose last year and 15 per cent above the postwar peak in 1948.

—*Business Bulletin* (La Salle Extension University) 2/51

How to Achieve an Early Closing

If the best interests of an enterprise are to be served, important accounting information must be available when it is needed. Early closing is a means to this end. Its accomplishment, however, requires intelligent and careful planning, the full cooperation of accounting department divisional heads, and—most important—a great deal of determination.

The following are prerequisites for accomplishing an early closing: (1) a well-trained and efficient organization; (2) teamwork between divisions of the accounting department and individuals in those divisions; (3) a carefully planned procedure; (4) the use of short cuts and a certain amount of estimating.

Some of the methods to be used are the following: (1) Eliminate cents throughout your accounting. (2) Don't wait until the first of the month to begin your closing; start closing various departments as soon as possible. (3) Don't wait for invoices covering incoming material or services rendered; take up a liability for those items and cancel the accrual immediately after closing. (4) Don't wait to close your accounts until the last item of stores has been charged out; chances are that items taken from stock in the last day or two will not have been put into use in the month ordered anyway. (5) Have power, gas, and light meters, etc., read at the close of the last day and an accrual made for such charges. (6) Estimate and distribute shop expense on a direct-hour basis ahead of the general distribution. (7) Make some payroll distributions before the close of the last day by estimating the charges for that day. (8) Follow department progression in making distributions of labor and materials without waiting for completion of the entire distribution. (9) If operations are departmentalized, arrange invoicing procedure so that sales figures are coordinated with

costs distribution. (10) If physical inventories are taken monthly, take them on the 27th or 28th of the month and use book figures for the monthly closing. (11) It is not necessary to close out payrolls completely for monthly income determination. Net payrolls (i.e., after deductions) can be made later, after your cost distribution is out of the way.

After apprising accounting department divisional heads of the project and soliciting their cooperation, the groundwork should be laid out as follows:

1. A date should be set for obtaining the Profit-and-Loss Statement.

2. A survey should then be made of all work immediately preceding the Income Statement.

3. Work at the plants should be surveyed from the following angles: (a) prompt completion of all papers relating to shipments; (b) use of crew sheets for reporting time to pay office and steps necessary to assure their prompt completion; (c) use of crew reports for distributing labor to costs and as a means of arriving at accrued payroll at end of month; (d) scheduling of production inventory data; (e) closing, and balancing with controls, of the operating supply and stores distribution one day prior to end of month, making daily reconciliations for the balance of the month. (f) closing of distributive accounts a day or two before the month-end, on the basis of actual expense and distribution to that date and estimates for balance of month. (g) having each plant or works develop operation expenses and distribution completely, doing this on an operational progressive basis so that first figures required are available first. (h) having all work possible completed before the month-end and all possible questions relative to the closing settled long before the month-end (it would

also be a "must" that a meeting be held in advance of each closing, by each department, so that a survey might be made of conditions needing atten-

tion); (i) setting up, in advance of closing, debits to costs, for which the other side is a credit to reserves established to cover normal replacements.

—WALTER H. DUPKA. *The Controller*, October, 1950.

Collections with a Smile

BOND STORES, INC. (New York), the latest to use humor instead of threats in collecting past-due accounts, reports good response to this brash reminder: "We want a check of some kind on the above account. Either a real check or a pencil check in one of the squares below. Between the two of us, we would like to know just where we stand, so check up your finances and drop us the good news." There then follows this listing, with squares preceding each possibility:

- Here's all of it . . . shut up.
- Here's part of it to show you our heart's in the right place.
- Mailed check yesterday.
- Don't intend to pay until I'm sued for it.

—Tide

Trend to Rented Auto Fleets

TREND MEMO for company car fleet managers: More and more companies are renting instead of buying them.

"It's cheaper," declares a corporate official who used several hundred cars and trucks in his business. As a renter of autos, he finds himself in the company of such firms as Westinghouse Electric Co., Radio Corp. of America, Jones & Laughlin Steel, and American Cyanamid.

"Renting our fleet of 500 autos from someone else has many advantages," explains another company executive. "The cars cost us only \$300,000 a year, paid monthly, instead of \$1 million outright if we had to buy. We know our exact transportation costs without detailed bookkeeping and the amount is 100 per cent tax deductible as a business expense."

About 35 firms are in this fast-growing business of leasing car fleets to business concerns. This year they'll do a national business of about \$45 million, compared with \$4 million back in 1940. Dollar volume of the industry has tripled since 1945.

Under most agreements the lessee pays a flat monthly rate which includes everything except gas, oil, washing and storage. In the case of a few auto rental companies, all expenses except gas are put on the monthly bill. Rental rates range from \$60 to \$72 a car per month for Plymouths, Fords, and Chevrolets, and up to \$150 for Chryslers, Buicks, Cadillacs, Lincolns and special limousines.

—MICHAEL J. SAADA in *The Wall Street Journal* 3/19/51

STRIKES increased from 3,606 in 1949 to 4,700 in 1950, according to preliminary estimates of the Department of Labor's Bureau of Labor Statistics. This was the second highest number of strikes during the postwar years (the all-time high of 4,985 was recorded in 1946). Man-days of idleness, however, dropped from 50,500,000 in 1949 to 38,500,000 in 1950—a decrease of 25 per cent.

—Labor Information Bulletin (United States Department of Labor) 2/51

Impact of Inflation and Taxes on Income

MANY PEOPLE who doubled their income over the decade (and who may have moved up to better positions with greater responsibilities) are not better off, but are possibly worse off, than they were 10 years ago, according to the Conference Board. Higher income taxes, as well as higher prices for the goods and services that go into the cost of living, are the "one-two punches" that have knocked out some or all of the dollar increases.

A married man with two children or other dependents who earned \$2,000 in 1940 would have to earn 72 per cent more today, or \$3,437, "to end up with equal purchasing power." The depreciation of the dollar "accounted in good part for this needed rise, since the tax rise is small in this case. Taxes take a bigger bite at the higher income levels. The man earning \$5,000 in 1940 would have to earn 87 per cent more today, or \$9,367, to purchase the same amount of goods. A man with a \$25,000 salary in 1940 must earn \$59,126, or more than twice as much, to offset the current high tax rate and inflation."

Car Operation Costs

COSTS of owning and operating passenger cars in the United States have increased by approximately 6 per cent during the past 18 months, according to the American Automobile Association.

A breakdown of this new national average cost, applicable to cars in the low-priced class, shows that fixed costs of such items as fire and theft insurance, property damage and liability insurance, license fees, and depreciation for cars driven under 18,000 miles now average \$533, in comparison with about \$506 in the summer of 1949.

In computing allowances for employee-owned cars, AAA's Information Bulletin No. 73 recommends that an allowance be granted of \$1.50 a day for each day that the car is driven *plus* 3½ cents a mile for each mile driven. However, the actual cost of operation will vary with the make and model of car, geographical location, age of the vehicle, average speed and total mileage driven. For example, cars driven over 18,000 miles should be allowed a special depreciation adjustment of \$10.60 for each 1,000 miles over that amount.

—*The Nor'Easter* (Northeast Philadelphia Chamber of Commerce) 4/51

Profit-Sharing in Five Firms

PROFIT-SHARING RESULTS for 1950 are reported by a number of companies as follows:

Lincoln Electric Company, Cleveland, Ohio, distributed \$3,944,463 to 1,010 employees. Individual payments ranged as high as \$32,000 under its merit rating plan.

At the Daisy Manufacturing Company, Plymouth, Michigan, payments averaged \$1,183 per employee, half of which went for retirement benefits.

Rempel Manufacturing Company, Akron, Ohio, distributed \$25,000 to employees.

Mansfield Sanitary Pottery Company, Perrysville, Ohio, distributed \$65,000, including pension fund payments. Cash bonuses averaged \$220 for employees with five or more years' service.

Gertenslager Company, Wooster, Ohio, distributed \$125,000 to 300 employees.

—*Employee Benefit Plan Review* 3/51

Have You Set Up an Adequate Tax Reserve?

WITH income taxes, as well as practically all other taxes, due to rise sharply, it becomes imperative for management to maintain adequate tax reserves.

Often the harassed manufacturer—not always with success—tries to meet tax obligations on past business from current income. This is a dangerous policy. The funds with which to meet all tax charges should be accumulated as taxes are incurred and coincident with the income being taxed.

It is unwise to assume that year after year tax liabilities can be met out of earnings at due date of various kinds of tax payments. This attitude ignores the incidence of sickness or death of the individual who is the driving force of the business, or a sharp drop in business. Any of these events can result in decreased or non-existent earnings when tax bills must be met. In such circumstances, costly sacrifices might be necessary to avoid delinquency charges or other, even more severe penalties.

An adequate tax reserve, at any given time, should represent the following: funds sufficient to settle all withholding taxes collected from employees, unemployment insurance and old-age deductions from payroll together with the manufacturer's share, property taxes pro-rated to date, the pro rata share of the taxpayer's estimated income tax, and his own old-age insurance tax. These tax funds should not be mingled with other funds.

To allow tax liabilities to exceed immediate available cash is to appropriate to personal or business use government funds entrusted to the taxpayer which are not, and never have been, his. A defense may be made for not accumulating his own taxes as he goes. There is no excuse, however, for misappropriating taxes collected from others, such as withholding taxes and unemployment and old-age insurance taxes.

—HAROLD J. ASHE. *The Manufacturing Jeweler*, April 5, 1951, p. 8:1.

The Credit Side of Customer Relations

THE essential use of the negative in credit work does not mean that the credit function cannot be positive and constructive to the company. Good customer relations depend on what a company—or, rather, the people who make up the company—can do and say to make customers look upon it and its products with favor. How can credit men contribute to good customer relations?

We are all accustomed to measuring credit risks against the three C's—*character*, *capital* and *capacity*. In connection with customer relations, it would

be a good idea for credit men to try to see how they measure up in the eyes of customers against what might well be *their* version of the three C's.

What qualities of *character* do customers look for? As individuals they expect credit men to be personal and human. The concept of the credit manager as a heartless old miser is a thing of the past—or at least it should be.

Capital to the service-minded customer is our resources for helping him, for advising him, if necessary, regarding his business affairs. As business conditions become more competitive,

this particular aspect may increase considerably in importance.

Finally, *capacity* implies management's ability to handle its affairs intelligently. Just as we look for evidence that our customers know how to run their businesses, our customers expect us to perform our work efficiently insofar as it affects their business.

From the customer's viewpoint, the three C's are thus a challenge to credit men to be considerate human beings who, in addition to doing their own jobs well, can help customers to do theirs better.

A good place to start is with welcoming letters. If a new customer meets the test of character, capital, and capacity, we can forget money long enough to tell the customer that we are pleased as punch to extend our credit to him, that we are looking forward to a pleasant relationship with his company, and that we hope and expect to meet him in person soon. This last point is im-

portant, because, in building good customer relations, nothing can take the place of personal visits with the customer by the credit managers.

However credit men may strive to develop and maintain pleasant and profitable personal contacts with customers, they must also recognize that salesmen remain the primary contact with most of them. In a real sense, salesmen are also credit men. Here are three main ways in which credit men can assist salesmen in the performance of their tasks: (1) By preparing a manual on credit to provide the salesman with the basic information he needs. (2) By giving the credit department a place on the program at every major sales meeting so that credit men can guide the salesmen to a better understanding of what is expected of them and why their services are of such great importance. (3) By keeping credit records up-to-date and permitting quick release of orders for unusual amounts.

—From an address by WILLIAM R. DUNN (General Credit Manager, General Foods) before the New England Credit Conference.

Suggestions for Stockholder Reports

STOCKHOLDER REPORTS have been getting fancier and fancier. A return to the dry-as-dust type of report is not recommended, but it does look as if some companies are going overboard today. Stockholders and employees who read the four-color, fine-paper, art-filled jobs are likely to question the obvious extravagance, and wonder whether management is as freehanded in all operations.

The annual report remains an important vehicle for stockholder, employee, and public relations, and should be so designed. The important thing is clarity and simplicity, not elegance. Qualified production people can turn out a handsome job at comparatively modest cost without stirring up resentments.

Here are the main techniques used in successful reports:

Avoid legalistic style and phrases wherever possible.

Try to simplify the balance sheet and earnings statement.

Make art work as simple as possible.

Use commonplace similes to drive home difficult concepts.

Use comparative figures drawn from the company's position in other years where current figures don't tell the whole story.

Take into account the changes in the value of the dollar.

Especially if the report is to be read by your employees, keep each point short, don't pile up unnecessary data.

—*Executive Policy Letter* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) 3/30/51

Also Recommended . . .

MEASUREMENT OF PROFITS FOR EXECUTIVE DECISIONS. By Joel Dean. *The Accounting Review* (450 Ahnaip St., Menasha, Wisc.), April, 1951. Many executives are unhappy about the kind of income statement produced by conventional accounting methods and feel that decision-making could be facilitated if income statements were related more closely to management's purposes. This article examines from the managerial standpoint the major issues of profit-measurement on which economists and accountants have generally taken different positions. The author suggests that in these times of price-level upheaval a company needs three sets of books or even more to show: (1) statutory income (for tax purposes); (2) accounting income (computed by conventional accounting procedures); and economic income (deflated to dollars of constant purchasing power). The basic weakness of accounting reports for economic analysis, he points out, is that accounting is an historical record whereas economic problems of management have to do with the future.

SUGGESTIONS FOR OPERATING UNDER THE SEC'S NEW RULES GOVERNING FINANCIAL STATEMENTS. By the Research Department, American Institute of Accountants. *The Journal of Accountancy*, Feb., 1951. This analysis of SEC's new Regulation S-X, which governs the form and content of financial statements filed with it, details for the accountant the principal changes in the new regulation and the procedures which must be modified under the new rule.

RENEGOTIATION: STITCH IN TIME SAVES TROUBLE, MONEY. By John S. Morgan. *Steel*, April 9, 1951. A helpful analysis of the provisions of the Renegotiation Act of 1951, with a discussion of methods for determining what contracts are subject to renegotiation. The author also furnishes some practical suggestions for preparing a case for consideration by the Renegotiation Board.

A BANK'S PLAN FOR TESTING AND RATING BOOKKEEPERS. By C. G. Will. *The Office*, March, 1951. The San Diego (Calif.) Trust & Savings Bank has devised a successful system for testing and rating bookkeepers as to speed, accuracy and ability. In the testing, speed is established once a month by timing one complete day's posting; accuracy, by a complete and continuous record of errors made during posting; ability, by a record of misposts not caught, book being out of balance, and stop payments paid.

"UP-TO-THE-MINUTE" COSTS FOR MANAGEMENT PLANNING. By I. Wayne Keller, N.A.C.A. Bulletin, March, 1951. To set prices, determine the best operating level, and to keep the product line in trim are not easy tasks with both prices and labor rates again on the move and with the prospect of an unprecedented level of combined civilian and military demand. Under these conditions, developed costs can be worth little or they can be invaluable to management. In short, it is a tactical situation. The author addresses himself to practical measures for its solution.

FOURTEEN WAYS TO COMPUTE A COMPANY'S EXCESS PROFITS TAX. By J. K. Lasser and William J. Casey, *Dun's Review*, March, 1951. The excess profits tax is here again, but it's not like the old one. New cases, different exemptions, and alternative methods to calculate a company's tax will offer relief to those who take advantage of the flexibility afforded by the law.

MAJOR ECONOMIC PROBLEMS OF MOBILIZATION. By Seymour Harris. *Harvard Business Review*, March, 1951. Reviewing the problems of increasing national output in a semi-mobilized economy, the author warns that we must face the possibility of falling short of substantial increases—that the current gun-and-butter way of thinking may be too optimistic.

A DECADE OF PROGRESS IN ANNUAL REPORTING. By Lewis H. Haney. (Available upon request to Bertrand W. Hall & Co., 41 East 42 Street, New York 17, N. Y.) An amplification of the report of the independent board of judges in the *Financial World's* annual reports survey. Discusses the numerous points at which considerable or at least some progress in corporate reporting has been made during the last 10 years, as well as a number of respects in which progress seems less satisfactory. A number of recommendations are presented.

INVESTMENTS OF PENSION TRUSTS. *Central Hanover Pension Bulletin* (Central Hanover Bank and Trust Company, 70 Broadway, New York 15, N. Y.), February, 1951. Investment thinking as related to pension funds has broadened; the inclusion of various other types of securities, in addition to bonds, has come to be general practice, though there does not seem to be any uniformity as yet. Some of the diversified investments possible, and their implications, are discussed.

Insurance Management

Sabotage in Peacetime Insurable

INDUSTRIAL and business management will be able to insure against sabotage through standard insurance policies currently available, the National Association of Insurance Brokers has determined. Specifically, here is how the main forms of insurance can provide protection against the acts of saboteurs:

Use and Occupancy (Business Interruption), Extra Expense, Rents, Leasehold Interest or Profits and Commissions. This insurance can cover losses through the acts of saboteurs by the attachment of proper endorsement covering vandalism, malicious mischief, riot, and civil commotion.

Workmen's Compensation Insurance. As presently written, this insurance covers all employees injured on the job regardless of the cause of injury. Consequently, it would cover injuries due to sabotage.

Public Liability. Since this insurance covers "legal liability," it would afford protection if a person suffering an injury or loss from sabotage occurring on the assured's premises obtained a legal decision that the sabotage resulted from the assured's negligence.

Fire Insurance. The standard fire insurance policy with the standard extended coverage endorsement plus vandalism, malicious mischief, riot and civil commotion endorsements would not only cover against any fire damage or loss caused by saboteurs, but would also afford protection against damage to sprinkler systems and other fire fighting equipment. Damage from atomic radiation, however, would not

be covered by any of the standard fire insurance policies now being written.

Explosions and Machinery Insurance. The standard form of both these policies if endorsed with vandalism, malicious mischief, riot and civil commotion clauses would afford protection against any acts of sabotage which caused damage or loss through explosion or damage to machinery. The "broad" form of boiler and machinery insurance offers protection against sabotage without any additional endorsements.

Valuable Papers Insurance. Most forms of this are on an "all risk" basis and may not require any endorsements to afford protection against sabotage. However, if documents, records, formulas, or other forms of valuable papers are likely to be the target of saboteurs, it is advisable to consult a broker or similarly competent insurance expert.

Transit Floaters. As currently written, most of these policies are on an "all risk" basis and consequently would afford coverage without further endorsement.

Consequential Damage Insurance. Since well-planned sabotage seeks to cause not only direct damage but as much consequential damage as possible, this type of insurance would be most important in considering protection from sabotage. However, no general statement about it can be made, for the amount, type, and extent of consequential damage differ radically in each case. Therefore, consequential damage insurance is something which must be worked out by the assured's broker.

—*The Journal of Commerce*, February 2, 1951, p. 1:2.

Reporting on Employees' Benefit Status

MORE THAN 200,000 employees in General Electric plants and offices have received individual detailed reports from the company outlining the employee's status under various employee benefit plans. Statements were distributed describing to the employee his standing under the company's pension plan, life and health insurance plans, and savings and stock bonus plan.

Under the pension plan, employees participating in the program contribute two per cent of their yearly income up to \$3,600 and five per cent of their earnings above that figure. At the normal retirement age—65 for men and 60 for women—pension plan members receive annual pensions equal to 40 per cent of their total contributions to the plan, plus additional annual pensions based on previous pension plans if they had one or more years of service before September 1, 1946. Minimum retirement incomes ranging up to \$125 per month, including both Social Security and company pensions, have been guaranteed for long-service employees. Although company officials predict that the larger share of income will exceed these minimums, an additional payment is provided by the plan if the total of the pension and Social Security falls below the guaranteed minimum. The company pays about two-thirds of the cost of each pension.

Among the information given was an estimate of the total retirement income the individual may expect based on present normal rate of earnings, including both company pension payments and Social Security. Also outlined in the report to each employee was the method used in computing retirement incomes.

The General Electric insurance plan, to which more than 98 per cent of the employees subscribe, provides life insurance, accidental death and dismem-

berment benefits, weekly sickness and accident benefits, and hospital, surgical, and maternity expense payments. The company pays about two-thirds of the cost of the plan, employees paying the remainder.

The statement notified employees of the amount of their life insurance, which is based on their earnings; the amount of weekly sickness and accident benefits for which they are eligible, and the amount of benefits under hospital, surgical and maternity insurance. The statement also outlined benefits to be paid for hospital, surgical and maternity care for employees' dependents, which is provided through insurance or Mutual Benefit Associations.

Under the employees' Savings and Stock Bonus Plan, employees purchase U. S. Series "E" Savings Bonds and are contingently credited with General Electric common stock equal to about 15 per cent of the cost price of the bonds. If they leave the bonds on deposit with the company for a five-year period, they then receive the bonds, the stock bonus, and income from the stock bonus over the five-year period.

Employees were notified of the maturity value of savings bonds which they have purchased and which are on deposit with the company and of the number of shares of common stock credited to their accounts. They also received statement of the accumulated income from the 1948 and 1949 stock bonus which has been credited to their accounts. The accumulated income consists almost entirely of dividends on General Electric common stock.

Other General Electric benefit programs include a new loan plan for pension plan members; the education program by which employees and their children may receive loans and scholarships from income of part of the million-dollar General Electric Education-

al Fund; the Suggestion System, by which employees receive cash awards for accepted ideas which aid company operations; and the relief and loan plan, which provides for loans to mem-

bers in need and relief to needy employees and pensioners. In addition, employees are eligible for paid vacations, military duty allowance, and payments for observed holidays.

Review Your Policies for "Concurrency"

IF YOU have several fire or other property insurance policies insuring the same risk, make sure that the coverage in each contract is identical so that in the event of a loss you will receive full protection.

For example, if a large business has three or four fire insurance policies covering the business premises and, for any reason, the owner has each policy with a different insurance man, these policies should be concurrent. That is, if one policy has the Extended Coverage endorsement, all of them should have it. Otherwise, in the event of a loss, for example a windstorm loss, only one policy bearing the Extended Coverage endorsement would be applicable. But because there is a provision that requires "concurrency" of coverage, the policy with the Extended Coverage endorsement would pay only a portion of the loss. This is determined by considering the amount of applicable cover under the one policy as compared to the total amount of insurance carried.

—*The Insurance Buyers' Digest* Vol. X-4

Work Injuries In 1950

WORK INJURIES in the United States during 1950 increased about 4 per cent over 1949, according to preliminary estimates made by the Bureau of Labor Statistics and the National Safety Council. Increased employment accounted for most of this rise in injuries, but there were also indications of slightly higher injury rates in some industries.

The total volume of disabling work injuries in 1950 was estimated at about 1,952,000, an increase of 82,000 over 1949. The 1950 total of injuries, however, was below the 2,019,900 estimate for 1948, and was the second lowest figure since 1940.

Approximately 40 million man-days were lost in 1950 as a result of injuries which occurred during the year. This is equivalent to a year's full-time employment for approximately 134,000 workers. If additional allowance is made for the future effects of the deaths and permanent physical impairments, the total economic time loss would amount to about 212 million man-days—or a year's full-time employment for about 706,000 workers.

—*Monthly Labor Review* 3/51

AMA SPRING INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held on Monday and Tuesday, May 14-15, at the Hotel Statler, New York City.

Forgery Losses Can Be Fatal

WITH THE increased use of checks, drafts, bills of exchange and other forms of indebtedness, forgery has become a \$300,000,000-a-year business. The only certain guarantee against this hazard is the various forgery bonds, of which the depositors forgery bond is best known and most widely used. It is issued to persons, firms or corporations, excluding financial institutions, and indemnifies the insured and any bank in which his account is carried against loss due to forgery or alteration.

Three special sub-paragraphs in this bond specifically include indemnity for certain types of losses concerned with endorsements on checks or drafts which might not, under certain statutes, be construed as the crime of forgery.

The first includes coverage on checks or drafts made or drawn in the name of the insured, payable to a fictitious payee and endorsed in the name of this payee. Under certain statutes, such crime may be defined as larceny or embezzlement, or some designation other than forgery.

The second sub-paragraph includes coverage on checks or drafts procured from the insured by an impersonator in a face-to-face transaction, and endorsed with the impersonated payee's name by anyone other than the one impersonated. It may be held that the loss from such a crime was due to misrepresentation, fraud or some cause other than forgery.

The third sub-paragraph specifically includes coverage on payroll checks, drafts or orders of the insured which are payable to a named payee or bearer, where the named payee's endorsement is forged. Under certain statutes, such forged endorsement would not be

considered the controlling factor in the loss, as the check was negotiable without it.

The bond contains several other favorable provisions, the most important of which are outlined below:

1. The retroactive extension clause projects the coverage of the bond back into the period of any forgery bonds previously carried without lapse of continuity.

2. With discovery of any loss, the amount of insurance is automatically restored for future losses without additional cost to the insured.

3. A separate section in this bond provides that it shall be primary insurance, regardless of whether the forgery loss was committed by an employee or an outsider. Should loss be caused by an employee, the insured's fidelity bond would also participate, affording excess protection.

4. The bond contains a provision that should it be impossible to present the forged instrument as basis of claim, an affidavit of the insured will be accepted.

One of the reasons often advanced for not buying forgery insurance is the mistaken belief that the banks are liable for forgery losses. However, banks are not unconditionally liable for forgery losses, and in a great many instances may not be liable at all. Also, where there is a question of bank liability the burden of proof lies with the depositor, and if the matter is contested, he will be confronted with the loss of the use of the amount of the forged instrument in question and possible expensive litigation costs, with the outcome doubtful. A very practical solution to such problems is the purchase of a depositors forgery bond.

—JAMES G. CANNON. *The Casualty and Surety Journal*, March, 1951, p. 23:6.

Seven Points in Drafting Pension Plans

SEVEN practical suggestions for drafting a pension plan were outlined by Donald S. Fuerth, assistant counsel of Prudential Insurance Company, before the Federation of Insurance Counsel in Atlantic City as follows:

1. A draft of the pension plan should be presented to the proposed insurer in advance of its formal adoption. The insurer may be able to offer some very helpful suggestions based on his broad experience in this field and thus make the plan more workable. This procedure will also avoid the embarrassment which arises when it becomes necessary to go back to the board and possibly to the union for consent to modify a plan some portions of which are found to be uninsurable under the insurer's rules and practices.

2. Reasonable flexibility in the contract is essential, especially if the contract is integrated with the social security law. In this connection, it is desirable that the plan reserve to the employer the right to amend, terminate, or substitute a new plan, and that the group annuity contract contain a provision permitting the employer and the insurance company to make such modifications as they deem mutually desirable.

3. It is essential that the booklets and announcements distributed by the employer to his employees do not go beyond the terms of the group annuity contract. If they are broader than the contract, a claim of independent liability against the employer may arise. As a precaution, let the

insurance company review all such booklets and announcements prior to their distribution.

4. Where a pension plan will be one of the subjects for collective bargaining, secure the best actuarial figures available on your own situation before you start negotiating. You may also wish to consider the advisability of having a representative of the insurance company on call as a consultant during the negotiations.

5. The pension plan should be a separate document, independent of the collective bargaining agreement. Such separation will tend to avoid confusion and misunderstanding later on. Then, too, psychologically it is well to keep pensions, which are established as long-term undertakings, and other collective bargaining provisions, which are ordinarily subject to change every year or so, separate and apart from each other.

6. It is of utmost importance that the provisions of a negotiated pension plan be expressed in clear, unambiguous language. Clarity is desirable in any instrument, but it is especially important in pension agreements which may continue in substantially the same form for a period of many years.

7. If, at the outset, you decide upon an uninsured, self-administered plan, consider the advisability, nevertheless, of including in the pension plan and trust a provision giving the trustees the power to invest in and pay the retirement income through the medium of annuities purchased from an insurance company.

—*Employee Benefit Plan Review*, Vol. V, No. 5A.

MORE THAN seven million ordinary life insurance policies were applied for in the United States in 1948 (the latest year for which figures are available). Of each 100 of these, 96 were accepted, the applicants being found insurable. Of the ordinary policies issued and paid for in 1948, 93 per cent were at standard rates and 7 per cent were issued as extra-rate policies—because of physical impairments or occupational hazards.

—*Life Insurance Fact Book: 1950* (Institute of Life Insurance, 488 Madison Ave., New York 22, N. Y.)

Government vs. Private Insurance: The People Speak

GIVEN A CHOICE between government insurance and private insurance, inhabitants of rural America would overwhelmingly favor insuring through private companies, according to J. M. Hickerson, president of Albert Frank-Guenther Law, Inc., whose advertising agency has just completed a survey in cooperation with *The American Press Magazine*.

In the survey, editors of hundreds of country papers all over the United States answered whether their readers would prefer government to private insurance, assuming both were available. Eighty-four per cent of the opinions favored private companies in case of life insurance and 65 per cent other than life.

Of those queried, 78 per cent regard the "welfare state" less favorably than in 1948, 5 per cent regard it more favorably, and 16 per cent see no change. "Wall Street" is also regarded more favorably in the opinion of 31 per cent of the editors, while 54 per cent saw no change. On "Bigness" in industry, 61 per cent of the editors said readers approved, 10 per cent said they disapproved.

—*The Insurance Buyer* 4/51

Unemployment Insurance During 1950

BECAUSE OF INCREASED EMPLOYMENT in the last half of 1950, the number of workers who filed unemployment insurance claims in that year was 7.7 million, or 3.1 million less than the 10.8 million workers in 1949. Six and 2/10 million workers had sufficient earnings to qualify for benefits. In each spell of unemployment, the average insured claimant filed about seven claims. About 5.2 million workers drew one or more weeks of benefits. These beneficiaries drew benefits for an estimated average of 13 weeks at an average rate of \$20.76. More than 1.8 million beneficiaries exhausted their benefit rights, after drawing benefits for an average of 19.4 weeks. Although the labor force had substantially increased since 1940, 800,000 fewer workers exhausted their benefits in 1950 than in 1940, when 2.6 million workers exhausted their benefits. Much of this drop in exhaustions may be attributable in part to the increase during the past 10 years in the duration of benefits provided by the individual State unemployment insurance systems.

—*The Labor Market and Employment Security*

Bond Rates Down—Coverage Up

ACCORDING TO DATA furnished by The Surety Association of America, fidelity bonds and contract bonds have enjoyed major reductions in premium rates. In the fidelity field, bankers' blanket bonds have been reduced approximately 64 per cent since 1936; individual and schedule bonds have declined 30 to 40 per cent in cost; primary commercial blanket bond rates decreased 51.6 to 65.4 per cent; blanket position bond rates are down 65.7 to 77.1 per cent; while all fidelity bonds, as a group, have decreased in cost approximately 60 per cent. A comparable downward trend has been seen for contract bonds, rates for which have generally been reduced between 25 and 33 per cent since 1936.

But even these striking figures do not tell the whole story. In addition to reductions in premium costs, coverage under many bonds has been broadened, so that the real cost of fidelity and surety bonds has decreased even more than is indicated by the preceding data. Far from suffering quality deterioration—an accompaniment of price reduction in many consumer goods—fidelity and surety bonds have consistently improved in quality through a broadening of coverage.

—*The Casualty and Insurance Journal* 3/51

Pension Benefits for Men in Service

DURING World War II many companies amended their pension plans so that returning employees would not be deprived of the accumulation of pension benefits while in the service. At that time, there was little controversy about pension credits. With so many union-negotiated plans now in effect, management may do well to anticipate demands by providing such credits.

Little difficulty should be encountered in those union-negotiated plans or in any plan where a flat maximum, such as \$100 or \$125, is provided for definite years of service, such as 25 or 30. Although it has been stated that the cost of providing such benefits will be high, actually, credit for military service should not be too costly. Many employees work 30 to 40 years and receive the same benefit as an employee who works only 25 years. A credit for two or three years in military service will not increase the benefits for many of the employees and will have no effect on costs.

If a plan is contributory, however, the problem is not quite as simple. In most instances, the costs to the employer rise each year as the employee becomes older. Assuming that the employer would be willing to pay his share of costs during the time an employee was in military service, it would be impracticable for an actuary to make the complicated calculations necessary. This problem would be magnified in direct proportion to the number in military service. Furthermore, the net result would be to pro-

vide a benefit lower than the plan was intended to produce.

One company has solved this problem by amending its plan so that full credit will be given for time in the service, with the employer and the employee, upon the latter's return, making up the contributions due for the time spent in service. Another plan specifies that the membership of an employee absent on military leave will be continued with or without any contribution from him.

When plans are funded with retirement income contracts, which require a medical examination, another problem is presented. If a company decides to give no credit for military service, the premium will not be paid and the trustee will, at the direction of the Committee, possibly convert the policy to paid-up insurance. On the return of the employee, it will be necessary for him to pass a medical examination for a new contract. If he fails, an annuity contract with no life insurance benefit will be issued. Even if he passes, the issuance of a new policy will be expensive to the company because most of the loading is heaviest in the early years. If an employee were killed in the service, and paid-up insurance had been taken by the trustee, the amount of life insurance benefit naturally would be less than if the insurance had been continued.

It looks now as if the majority of companies with non-contributory plans will give credit to employees on military leave. However, many companies with contributory plans do not expect to continue payments for employees in the service.

Digested from *Central Hanover Pension Bulletin*, January, 1951, published for Central Hanover Bank and Trust Company, New York, and copyrighted, 1951, by Prentice-Hall, Inc.

Also Recommended . . .

USE AND OCCUPANCY AND EXTRA EXPENSE INSURANCE. By Marshall B. Dalton. *The Insurance Buyer*, April, 1951. Details the points of similarity and the distinctions between use and occupancy and extra expense insurance, with typical losses analyzed in terms of the type and degree of protection available under the two kinds of coverage.

LEGISLATIVE TREND CONTINUES TOWARD LIBERALIZATION OF COMPENSATION LAWS. By Bethune Jones. *The Eastern Underwriter*, March 2, 1951. Continuation of the widespread trend of recent years toward liberalization of workmen's compensation laws through higher benefits and broadened coverage is indicated by developments in state legislatures thus far this year, a survey reveals. Proposals for major changes in administrative procedure for handling workmen's compensation cases also are under consideration in several significant instances.

WAKEFUL WATCHMEN. By Paul E. Hubby. *National Safety News*, February, 1951. Automatic systems can combine the important elements of early detection of fire with prompt warning and quick application of the extinguishing agent. This article examines several new fire-detection systems and devices that are available, and those still in the process of development.

WAR CLAUSES IN YOUR LIFE INSURANCE. *Changing Times: The Kiplinger Magazine*, March, 1951. The difference between life insurance in peacetime and life insurance in wartime is a little paragraph of type known as a "war clause." Here is an explanation of what a war clause is, why it is, and what you can do about it—if anything. Four specific pointers for life insurance buyers are given by the author.

RECENT DEVELOPMENTS IN STATE TEMPORARY DISABILITY INSURANCE LEGISLATION. Industrial Relations Section, Princeton University, Princeton, N. J., March, 1951. 20 cents. A brief annotated bibliography covering (1) Existing Laws, Their Operation, and Related Studies; (2) State Legislative Proposals and Related Reports; and (3) Opinions of Various Groups.

REACH THOSE HIGH SCHOOL PUPILS. By Charles C. Center. *Northwest Insurance* (Bruce Publishing Company, Minneapolis, Minn.), February, 1951. Teachers are crying for instructional material on insurance, a survey by Wisconsin University shows after 210 schools were asked what they are doing to teach insurance. Survey findings indicate that city schools average 23.2 hours per semester in instruction in insurance and rural schools average 27.2 hours.

Industrial Vision Programs Pay Dividends

FORTY PER CENT of the workers in America's small plants have vision which is not what it ought to be for their jobs, according to Dr. Leonard Greenburg, executive director of the division of industrial hygiene and safety standards of the New York State Department of Labor. In an address before the National Society for the Prevention of Blindness, Dr. Greenburg pointed out that in addition to being accident-prone, these men are also inefficient workers from the production point of view.

A midwestern printing plant found, for example, that workers with good vision were producing an average of \$1,384 a year more than employees with poor vision. This plant believes that it can increase a worker's production from 50 to 90 per cent by improving his sight. Thus if he had been turning out five dollars worth of goods an hour, his production will jump to as high as \$9.50 an hour after his sight has been improved.

This increase in production will more than pay back the management of the printing plant for the cost of its vision program, said Dr. Greenburg. It will also reduce the amount of eye injuries in a plant. And the 300,000 eye injuries which occur each year in American plants are costly—to labor as well as management.

Survey of Books for Executives

BETTER FOREMANSHIP—KEY TO PROFITABLE MANAGEMENT. By Rexford Hersey. Conover-Mast Publications, Inc., New York, 1951. 244 pages. \$3.75.

*Reviewed by R. S. Driver**

In his book, *Better Foremanship—Key to Profitable Management*, Rexford Hersey has formulated a statement of supervisory techniques with illustrative observations that should be of practical value to foremen, both new and experienced. The subject matter covered in this book includes What It Takes to Make a First Class Leader, The Foreman as an Administrator, The Foreman as a Job Analyst, The Foreman as an Instructor, The Foreman as a Safety Engineer, among other subjects. The emphasis upon the foreman as a part of management is clear-cut and unquestionable.

In the appendix, Hersey has provided some challenging self-analysis tests for foremen that might well be completed by foremen prior to reading the book. Check-lists of this nature are of interest to most individuals, and are productive of further study of the text material.

* Assistant Manager of Industrial Relations, The Atlantic Refining Company, Philadelphia, Pa.

A PHILOSOPHY OF LABOR. By Frank Tannenbaum. Alfred A. Knopf, Inc., New York, 1951. 199 pages. \$2.75.

Reviewed by Peter F. Drucker

It is a pity that this book did not appear ten or 12 years ago, for its analysis of unionism would have been of real value for management men learning to live and work with a union. By now, most of the things said in this volume are probably well-known by people in management who have been exposed to unionism. Nevertheless, the book is worth reading if only because it expresses what so many of us have been learning.

This is not to say that the book is a very successful work. The discussion of the industrial worker's need for community, for example, which takes up almost half of the volume will be old stuff—and seem overly

long—to anyone acquainted even superficially with the literature of industrial psychology and industrial sociology. To others it will be much too short and too vague to carry much conviction, skimming, as it does in a few pages, over centuries of human history. Even more serious is the one-sidedness, not to say blindness of the book. The modern business enterprise and management are barely even mentioned, though they are quite obviously the decisive and determining institutions of the modern society. The author's thesis which allots this role to the union is hardly tenable. Nor does the author make a serious attempt to document it. And Professor Tannenbaum's "solution": a gradual shift of corporate ownership into the hands of the unions—a kind of pension-fund syndicalism—is hardly something that will be taken seriously, least of all in the union movement.

Yet the importance of this book is not dependent on its being right; nor on its being of uniform excellence. Its importance lies in the fact that it offers a long overdue statement of the basically American philosophy of unionism. The original statement—the one made by John R. Commons and repeated by Selig Perlman—is by now definitely out of date. There is nothing wrong with its basic concepts. But Commons and Perlman focused these concepts upon the economic sphere. Tannenbaum realizes that the union no longer has a major function in the economic sphere except to hold what it has gained. With 60 per cent of the national income going to wages and salaries, the absolute share of the wage earner can hardly be increased any more. And with practically our entire wage and salary structure determined by the major union wage contracts—for non-union companies and non-union industries tend to set their wage rates according to union scale, too—it is no longer possible to improve the economic status of one group of workers at the expense of the other, which was the old strategy of the American Federation of Labor. But like Commons and Perlman, Tannenbaum sees in the union a conservative force within the capitalist system, if not the means to integrate the worker into this system. And on this basis he approaches the new goals of unionism, the social goals—status, job security, control of the job, participation in manage-

ment and in management's decisions, etc.

Whether you approve of these goals or not is irrelevant. For this is not the statement of a philosopher, despite the title, but the brief of an advocate—a sincere, brilliant advocate who knows more about the actions and beliefs of his client, the union movement, than does the client himself.

EMPLOYEE BENEFIT PLANS IN OPERATION.

By J. V. Strong. Bureau of National Affairs, Washington. 1951. 347 pages. \$5.00.

*Reviewed by A. F. Kindall**

Protection against the major hazards of industrial employment—superannuation, death, accident, and illness—is one of the most complicated problems inherent in the industrial relations picture. This problem involves personnel administration, relations with organized labor, benefits provided under federal and state laws, and complicated matters of finance, taxation, and actuarial mathematics.

As a result, many persons have shied away from the problem. They have deferred to the so-called "experts" to the extent that pension consultants, insurance companies, brokers, banks, and trust companies, all necessary in this field, have taken over this burden.

Jay V. Strong in this book has performed a real service to business and labor leaders in presenting in such a clear and understandable way the essentials of an employee benefit program. He unravels some of the mysteries and presents them in a simple and comprehensible manner.

In his preface, Mr. Strong points out that employee benefit programs cost up to 12 per cent or more of payrolls, not counting additional employee contributions to such programs. This fact alone should certainly make business and labor leaders inclined to spend the few hours necessary to read this book, so that they can grasp the fundamental aspects of employee benefit programs.

The subject matter of the book is based on material gathered by the author in his personal survey conducted throughout the country of 923 companies which employ about 6,000,000 persons. He interviewed 123 executives from 50 selected companies, conferred with union officials, and held confer-

ences of experts at the University of Michigan, Bureau of Industrial Relations, the sponsor of this book.

The section devoted to retirement plans describes why plans have been introduced, what these plans seek to accomplish, and the major provisions of such plans. The importance of adapting these provisions to the particular requirements of the individual organization is stressed. Mr. Strong points up the tremendous impact of the cost of providing benefits for service performed prior to the installation of a plan when it is not accomplished early in the history of an organization. He explains how plans can be funded, the advantages and disadvantages of employee contributions, and how to handle the difficult problem of retiring superannuated employees. This section of the book also gives valuable suggestions for designing a plan, installing it, and administering it once it has been installed. Mr. Strong outlines tested techniques for keeping alive the interest in the retirement plan—a matter which is often overlooked once a plan has been introduced.

A reading of this retirement plan section leaves one with the realization that such a plan should be installed early in a company's history. The plan must be "tailor-made." All parties concerned with the formulation of the plan, including insurance companies and trust companies, must consider the human relations factors involved in the individual situation to the extent that they will permit flexible provisions rather than standard provisions based on precedent or simply established clerical and accounting procedures. As in all forms of savings, participation should commence at as early an age as possible. Because of the tremendous costs involved, serious consideration should be given to employee contributions to the cost in order to assure adequate benefits. From the standpoint of good personnel administration, participation in retirement plans should not be restricted to selected groups of employees. Sound and impartial actuarial advice is necessary to obtain an accurate picture of present and future costs, particularly in a company with an increasing average age of employees, and to ascertain the variations in cost between the more common methods of financing retirement plans.

The sections covering life insurance, temporary accident and illness disability, hospitalization and related benefit plans are equally

* Personnel Director, Wm. Filene's Sons Company, Boston, Mass.

informative. They outline the advantages and disadvantages of the various types of plans. The life insurance section describes tested methods for providing a tide-over to the dependents of a deceased employee during the difficult period of adjustment following his death, and coverage for burial costs to take the place of the old method of "passing the hat."

A comparison of Blue Cross and Blue Shield hospitalization and medical and surgical benefit plans to insured plans is included. In addition to benefits for room, board, medical and surgical services, the importance of the so-called "incidental expenses" involved in hospitalization cases is emphasized in these comparisons.

Jay V. Strong outlines the history of collective bargaining on benefit plans and predicts what is ahead. He presents a summary of the principal amendments to the Social Security Act made in 1950, a very significant statistical analysis of the major provisions of various employee benefit plans reviewed by him, and a comparative analysis of the various state disability benefit plans.

EFFECTIVE MANAGEMENT THROUGH PROBABILITY CONTROLS. By Robert Kirk Mueller, Funk & Wagnalls Co., New York, 1950. 310 pages. \$5.00.

*Reviewed by Richard J. Hanwell**

An important step in the selling of one of the newer business techniques has been taken with the publication of Robert Kirk Mueller's *Effective Management Through Probability Controls*. For the last eight or ten years, business executives have been exposed to literature on "statistical quality control," another term for probability controls. With a few exceptions, however, the interest aroused has been somewhat less than enthusiastic, possibly because most executives are wary (and weary) of statistics and controls. The author has made an attempt to overcome this resistance with a book written expressly for the lay executive and liberally sprinkled with interesting case histories.

To those unfamiliar with statistical quality control, it can be defined as a method of

continuous control applied to a manufacturing or other process in which the laws of probability, or chance, determine the timing of the application of correctional measures. For example, in a manufacturing process, it is essentially a system of inspection wherein the laws of probability are used to determine the number of samples of the "in-process" goods which are to be tested at certain stages of manufacturing for variations from a predetermined standard. These variations are posted on a control chart and correcting adjustments made when the variations violate prescribed limits. When properly administered, this quality control can be, and has been, a source of enormous savings in previously unsuspected fields.

After a short introduction, the author presents his material in four sections. The first is written to show why executives must be interested in statistical quality control. It appeals to them directly by outlining the cost and time-saving features of the system, and showing the importance to executives of the conclusions which may be gained from its use. It highlights the ease with which the control principles are understood and points out that, with the trend toward use of statistical control, competition will force its adoption in many lines of endeavor.

The second section explores the various possibilities inherent in these controls. Together with an understandable explanation of the mathematics involved, the author discusses the theory of probability and shows how its application to scientific sampling can effect positive control within practical limits. A discussion of specifications of prime and finished material is included, with explanation of how they can be controlled with minimum effort for maximum results.

In the third section, some very illuminating case histories are provided, covering a wide range of activities and showing statistical quality control at work. It is here that the reader will profit most, for this material has been carefully selected and is the principal selling point for the system. Some of the examples of personnel selection by use of statistical control are particularly interesting and demonstrate how human behavior can be predicted within given limits. Practical applications in the fields of manufacturing, purchasing, engineering design, labor costs and sales work are also included to show the versatility of probability controls. The author

* Comptroller, Cuban American Sugar Co., New York.

significantly points out here where misapplications have occurred and cautions against over-enthusiasm in using a new tool.

The fourth section is devoted to outlining the organization of a probability control program, showing methods of setting up a department, selecting the objectives, choosing the right personnel and selling the results to management, employees, suppliers and customers.

To summarize, Mr. Mueller has produced a volume which can be very rewarding to all executives receptive to a new technique for gaining higher efficiency levels in activities under their control and who will welcome a further aid in getting the right answers to today's difficult production problems.

SUCCESSFUL SALES PROMOTION. By Harry Simmons. Prentice-Hall, Inc., New York, 1950. 441 pages. \$5.85.

*Reviewed by Saul Poliak**

Had Mr. Simmons approached his task as an editor seeking an orderly and meaningful fusing of the methods, thoughts and experiences of qualified sales promotion men, he might have produced a useful book. Unfortunately, this volume is in large part a superficial and often indiscriminating collection of articles on the subject, gathered from various periodicals. When the author writes on aspects of the subject with which he is apparently familiar, he produces some worthwhile information. In far too many pages, however, he betrays what most charitably may be described as deficient editorial insight.

* Clapp and Poliak, New York, N. Y.

EMPLOYEE FEEDING: A Manual of Policies and Operating Procedures. By John W. Stokes. Edmund S. Whitten, Inc., 216 Tremont St., Boston 16, Mass., 1951. 92 pages. \$3.00.

Here is a helpful guide for the use of executives of companies and institutions maintaining food service for employees, whether operated by the organization or by outside contractors. For such executives, this book provides practical information on which to base policies and decisions. It is also de-

signed to serve as a manual of basic operating practices for food service managers, supervisors, chefs, dietitians and others interested in or concerned with food service management. In addition, architects, engineers and those who are called upon to plan for industrial or institutional food service facilities, as well as manufacturers, dealers and others who provide equipment, food, supplies or services in these fields, should find it valuable.

It is based upon actual participation by the author in food service management; on detailed surveys and studies by him of many employee food services in factories, offices, hospitals, and other institutions in various parts of the United States; and on his practical experience in the industrial engineering field.

Emphasis has been given to the formulation of sound policies for employee feeding, in accord with the principles of modern industrial relations management, and to the necessity for adequate advance planning for new facilities. Practical means of control for food quality, service, sanitation, maintenance and costs have been outlined and are applicable both to existing facilities and to new operations. This manual is recommended for all executives concerned with employee nutrition—those whose companies already provide employee food services or who are contemplating the establishment of such services.

THE SOCIAL COSTS OF PRIVATE ENTERPRISE. By K. William Kapp. Harvard University Press, Cambridge, Mass., 1950. 297 pages. \$4.50.

*Reviewed by Elmer C. Bratt**

If you read Kapp's book, you will be interested and enlightened by the wide range of social costs he discusses (comprising two-thirds of the book), but undoubtedly you will be sorely troubled by the generalizations he draws with regard to economic science and the economy as a whole.

Among his social costs, Kapp includes the impairment of human health through work injuries, occupational diseases, air and water pollution, the depletion and destruction of animal resources, the premature exhaustion of energy resources, soil erosion, soil depletion and deforestation, technological change,

* Lehigh University.

unemployment, idle resources, high costs of distribution, monopoly, the mixed system of transportation, and the frustration of science.

The reader will recognize all these problems for which, in general, our present solutions are far from satisfactory. He will also realize, however, that considerable progress has been made toward at least a partial solution of many of these problems.

In Kapp's words, "What these losses have in common and what makes them truly social costs is the fact that they do not enter into the cost calculations of private firms." (p. 229.) It is of course obvious that under present conditions some of them *do* enter into the cost calculations of private firms, and it is definitely possible that other of these social costs should enter into such cost calculations.

The more fundamental difficulty with Kapp's concept of social costs is that, if he is to be as exhaustive as implied in the list of social costs he discusses, logic requires that the list be expanded much further. What about the confinement in an office or a factory, the disruption of family life, the disaffection of the arts, the practical turn of education, and many other losses certain individuals might be said to suffer as a result of modern business organization? Frankly, the reviewer does not see how the losses implied by Kapp's definition could ever be added up into a total which makes any sense.

Social costs turns out to be a fuzzy concept. No wonder, then, Kapp is led to conclude that "there is no defense against these social losses except through the abandonment of the customary wage system . . . Capitalism must be regarded as an economy of unpaid costs" (p. 231.) But is it not probable that as great or even greater lists of social losses could be leveled against any other economic system?

Kapp concludes that social costs make it necessary to broaden the scope of economic science, especially in such manner as to include non-market values. He frankly admits that he is suggesting a point of departure rather than a point of arrival. (p. 244.) By all means, let us keep re-examining the scope of economics. When the broadened scope is outlined (point of arrival), let us examine it in all fairness.

The important point, however, is not what Kapp feels the scope of economic science or political economy should be. The important point is, how can we add up all these social costs and assess them? Kapp's list is both too inclusive and not inclusive enough: work-

men's compensation compensates for some personal injuries, there are ordinances against smoke nuisance, there is such a thing as unemployment insurance, etc. Social costs do enter into cost calculations of private firms to some extent and the list of assignable social costs seems inexhaustible. Kapp discusses under social costs some extremely important problems about which we have done something, we are doing something, and will do still more.

PERSONNEL HANDBOOK. Edited by John F. Mee. The Ronald Press, New York, 1951. 1,167 pages. \$10.00.

*Reviewed by Mrs. Elinore M. Herrick**

Personnel Handbook provides a good "refresher course" for those experienced in personnel administration, as well as helpful guides to newcomers in the field. Contributors to the 20 sections were chosen for their preeminence in their own fields and the whole was carefully edited by Professor John F. Mee, Chairman of the Department of Management, and Director of the Bureau of Personnel Relations, Indiana University.

Such practical guides as budgets for the Personnel Department are offered with some typical budgets showing the varied emphasis that is placed on assorted personnel activities as reflected by the distribution of the total budget. These also show the number of persons in this service department for companies of varying size. Especially pertinent today is the section on manpower and cost control.

To the many people who have been carried away by their enthusiasm for the various psychological and aptitude tests for selecting new employees or to govern transfers, the chapter dealing with these tests is "must" reading. Before even discussing the various types of tests available, the author devotes a great share of his space to pointing out the limitations on the uses of personnel tests. The following chapter on "Procedures in the Selection Process" puts tests in their proper place as subordinate to the interview which is "the most important single step in a planned selection program." Too often we forget that, while tests show the potential, the interview really discloses the suitability of the applicant as a member of a particular work group whose characteristics, no less than the job requirements, must be borne in mind

* Personnel Director, New York Herald Tribune.

throughout the interview. The importance of the interview in a public relations sense is sometimes overlooked, too. Here it is pointed out that even in rejection the applicant must be left with a feeling of satisfaction toward the company and its consideration of him.

Compact and useful is the section on collective bargaining. Its emphasis on the necessity for planning the actual conduct of negotiations and thinking through the management's attitude, and development of management's basic data for use at the conferences is all helpful. The pitfalls to be avoided are outlined concisely; the governmental resources that are available if a deadlock results is useful knowledge for the novice. There is a suspicion of naivete in the section discussing "the necessity for completeness and clarity in contracts." I don't believe any contract has yet been written which did not subsequently evoke arguments on what it meant.

What constitutes "management rights"—even though subject to negotiation with the unions—is a timely reminder to management that union negotiations do not mean surrender of the responsibility to manage the enterprise. How to select arbitrators, the advantages of a temporary versus a long-range arbitration setup are also analyzed.

Valuable as the *Personnel Handbook* is to the novice, it is even more helpful to those with experience, for it aids them both in seeing the forest and distinguishing the trees. There is no single recipe which suffices to meet all needs. But in this compact book lots of experience and wisdom have been distilled in a universally useful form. Whether as "refresher" or as a road map, *Personnel Handbook* serves a useful function.

MASS MARKETING TO THE "400" MASS RETAILERS. By E. B. Weiss. A *Printers' Ink* Business Bookshelf book, published by Funk & Wagnalls Company, New York, 1950. 391 pages. \$5.00.

*Reviewed by Albert Haring**

Changes in markets during the last three decades have been significant. As a former Associate Editor of *Printers' Ink* and now Director of Merchandising for the Grey Advertising Agency, Inc., E. B. Weiss has closely observed and forecast many of the significant movements in distribution. In this

addition to the *Printers' Ink* Business Bookshelf, the author has carefully analyzed one major change in markets.

Statistics are tricky. After a careful examination of the facts, another authority might not exactly agree with Mr. Weiss that 400 major retailers do at least one-half of the national volume in the merchandise lines which they handle. But any differences would tend to be minor—merely of degree. A limited number of mass retailers do a surprising amount of retail trade. One-half of total volume in the merchandise lines handled is a significant figure; if it were moved down to 40%, it would still be almost equally important. The argumentative pin-pointing of percentages is futile when a major shift in markets can clearly be discerned.

Every manufacturer of consumer products must consider retailing's "400" because they are consistently increasing their merchandise lines. Today, for example, a surprising volume of major appliances and hardware is sold by "drugstores." No manufacturer can be sure that the type of product he makes is not handled by mass merchandisers. Only by checking their stores and talking to their buyers can a producer be sure that he is not missing a market.

This book does more than establish general facts. After outlining the market importance of the mass merchandisers, Mr. Weiss also: (a) lists the 400 by name, 1948 sales volume, number of outlets, kind of store, headquarters city; (b) lists 53 merchandise classifications which the mass merchandisers regularly handle; indicates trends in adding new merchandise lines; (c) outlines selling requirements and selling methods of volume retailers; (d) describes successful techniques to sell through these outlets. From the material presented, it is possible to examine the well-organized facts and to evaluate the distribution policies of a specific company.

As the giant retail organizations have grown, the author also outlines the basic characteristics of their policies: (1) self-service, self-selection, robot. (2) Visual-sight and touch have become key factors. (3) Impulse buying has been stimulated; shopping lists are secondary. (4) Merchandise and display are based upon cutting the time per transaction. (5) Merchandise categories have been broadened; one-stop shopping is on the horizon. (6) Supermarkets, super drugstores, etc., tend more and more to carry the same categories of merchandise. Obviously, marketing policies geared to in-

* Professor of Marketing, Indiana University.

dependent specialty stores emphasizing service are not very likely to stimulate sales through mass outlets.

To the manufacturer, Mr. Weiss really poses several questions—Are your categories of merchandise sold through the “400”? If the mass sellers handle your kind of goods, are your selling policies geared to their needs? If one-half of your market lies with the mass retailers, are you spending 50 cents of your selling dollar in a manner which will stimulate sales through them? To illustrate his major points, the author describes in detail the selling policies of super drugstores, super-markets, the “new” department store, variety chains, etc. The requirements of these stores and how manufacturers can facilitate sales through them are clearly laid down.

Advertising is analyzed in some detail. With robot selling, consumer acceptance is not enough; consumer demand must be created. Otherwise, the manufacturer will have 400 customers (the mass retailers) rather than the 150 million customers in the country. Compensating salesmen and sales strategy, as well as all other major selling policies, are carefully considered in terms of the mass retail market.

The reader may not agree with Mr. Weiss about the importance of the mass retailer market, the likelihood of certain categories of merchandise moving through such outlets, or certain trends which are indicated. On the other hand, the book is well written, specific, full of factual and practical information, and it sticks to its subject. Mr. Weiss has made a real contribution to the marketing executive because this is a “why” and “how” book with adequate theory and excellent organization. It can be recommended with confidence.

BUDGETARY CONTROL. By Walter Rautenstrauch and Raymond Villers. Funk & Wagnalls, New York, 1950. 301 pages. \$5.00.

*Reviewed by William J. Madison**

Much has been written about budgetary control since the early twenties and, with the possible exception of cost accounting, no one phase of business management has become

more of a necessity in most organizations. Unfortunately, when budgeting control methods were first introduced, they were often improperly installed and not adequately understood, with the result that many companies cast aside this management tool as a source of unwarranted expense.

The cover of this book indicates that it presents “The Managerial Approach to Budgeting.” The impression left with this reviewer, however, is that in writing the book the authors have adopted an economist’s approach to budgeting. This may have certain advantages, but much depends on the reader’s point of view and the use for which the subject matter of the book is intended.

In the introductory chapter, the authors prepare the reader for what is to follow with a brief outline on the economic trend of population from 1750, and with a supporting chart projected to the year 1990, followed by a discussion of the pros and cons of the various types and uses of budgetary systems within business organizations.

The book is divided into four parts, covering “The Sales Budget,” “Inventory, Production and Expense Budget,” “Control and Adjustment,” and “Other Budgets—Practical Applications,” followed by four appendices which include a bibliography and list of source material.

The book is apparently not intended as a text, as it is too general in its application of the various mechanics of budgeting and does not treat the many budget-preparing essentials in sufficient detail for such use. A beginner in the study of budgetary control might find it difficult to assimilate the material as presented and to such a reader it might appear that much extraneous matter, which is only indirectly related to the subject, has been included.

For those who are familiar with the fundamentals of budgetary procedure, however, the authors have collected and put together splendid material for refresher reading and reference use. In this connection, 53 charts and 24 tables are presented, covering various statistics and indexes which are explained in the book.

In Chapter IX of Part III the authors draw upon their personal experiences in outlining a presentation of the sales mixture chart. This particular chapter is worthy of special comment here, for it covers a phase of budgeting control that is a pitfall for many persons

* Asst. Secretary and Controller, Acme Rubber Mfg. Co., Trenton, N. J.

who, in preparing budgets, fail to consider various cost and profit aspects of the multi-product line.

This particular subject is important to management in more ways than in its application to budgetary control, as the authors bring out. For this reason, and many others, the book should be good reading and study material for persons interested in budgeting problems.

STRIKE STRATEGY. By John Steuben. Gaer Associates, Inc., 63 West 44th Street, New York, 1950. 320 pages. \$3.00.

*Reviewed by Phillips Bradley**

This is a challenging book in many ways. Written by an active unionist (formerly a CIO steel worker, now an AFL Hotel Employees officer), it tells the story of strike strategy (and tactics) from the worker's viewpoint. It carries the reader to what may be for him new insights into what actually goes on in a strike situation. Here are a dozen or so case studies of how workers react to employer and civic pressures before and during a strike.

* Maxwell Graduate School, Syracuse University.

The author would, no doubt, be the last to claim complete objectivity for his selection of cases of coercive employer practices. The record of military actions, strikebreakers, tear gas and guns, the Mohawk Valley Formula, are not the whole story of employer strike strategy. But there is enough of this kind of action and activity to make its portrayal and analysis useful. The author's "roll call of the dead" from 1934 to 1949 runs to nine pages.

It would extend this review unduly to portray and appraise even one of the case studies he presents. What is important is that we recognize this aspect of labor-management relations as a continuing cancer in the maturing process of these relations. If employer intimidation is not yet exceptional, if workers generally feel—and find, in fact—that most community groups are arrayed against them, if violence against them is too often the first, not the last, resort (and too often condoned), there is need to have such a book as this. It should help to correct the balance of ex parte statements which are still heavily—from management's viewpoint—designed to portray the evils of labor leadership and union practices. Despite its frank pro-labor statement of the problem of strike violence, it may well be pondered by those responsible for raising the standards (and so the practices) of management policies in times of tension.

Briefer Book Notes

(Please order books directly from publishers)

PRODUCTIVITY, SUPERVISION AND MORALE IN AN OFFICE SITUATION. Part 1. By Daniel Katz, Nathan Maccoby and Nancy C. Morse. Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, Mich., 1950. 84 pages. \$1.50, paper; \$2.00, cloth. Part 1 of a report of a highly significant research study devoted to discovering principles which contribute both to the productivity of work groups and to the satisfaction that group members derive from their participation. A major finding is that most of the differences found between high- and low-producing work groups are related to the differing nature of the supervision of these groups. The significant differences in supervisory attitudes and practices are discussed here.

IMPROVING THE CONTENT OF THE EMPLOYEE MAGAZINE. (Report No. 603). The Dartnell Corporation, Chicago, 1951. 97 pages. A survey of methods used to determine the type of reading matter desired by the average employee and of the ideas or devices employed to make the internal house organ attractive and stimulating reading.

THE NOMA BIBLIOGRAPHY FOR OFFICE MANAGERS. National Office Management Association, 132 West Cheltenham Avenue, Philadelphia 44, Penna. 1951. 31 pages. \$1.00. A classified compilation of selected references to articles and publications on office management subjects appearing in 1949 and 1950.

A GUIDE TO RETAIL EMPLOYEE COMMUNICATIONS. By William Paul Shaughnessy. The Research Bureau for Retail Training, University of Pittsburgh, Pittsburgh, Pa., 1951. 31 pages. \$1.00. Planned to assist the retail administrator cope with the problems encountered in establishing and maintaining mutual understanding with store personnel, this booklet discusses the use of various communications devices with a view to their merits and limitations in the retailing situation.

HOW I MADE THE SALE THAT DID THE MOST FOR ME: *Sixty Great Sales Stories Told by Sixty Great Salesmen.* Compiled and edited by J. M. Hickerson. Prentice-Hall, Inc., New York, 1951. 450 pages. \$5.35. Sixty of America's most successful salesmen tell their own stories of the exact selling tactics each of them used in making the sales which proved to be the most significant each of them ever made.

COLOR FOR PROFIT. By Louis Cheskin. Liveright Publishing Corporation, New York, 1951. 164 pages. \$3.50. Analyzes the use of color as an effective selling tool in packaging, retail merchandising, commercial artwork, advertising, and other areas of sales promotion, with considerable emphasis on the psychological aspects of color preference.

Publications Received

(Please order directly from publishers)

ECONOMIC ASPECTS OF ATOMIC POWER. An Exploratory Study under the direction of Sam H. Schurr and Jacob Marschak. Published for the Cowles Commission for Research in Economics by Princeton University Press, Princeton, N. J. 1950. 289 pages. \$6.00.

ACCOUNTING: A Management Approach. By Ronald H. Robnett, Thomas M. Hill and John A. Beckett. Richard D. Irwin, Inc., Chicago, 1951. 570 pages. \$7.35.

DIRECTORY OF LABOR ORGANIZATIONS IN NEW YORK STATE. *Special Bulletin No. 228*, Division of Research and Statistics, New York State Department of Labor, 80 Centre Street, New York 13, N. Y., 1950. 122 pages. 50 cents.

SALES AND BUSINESS FORECASTING IN CHEMICAL PROCESS INDUSTRIES. By Robert S. Aries and William Copulsky. Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y., 1950. 135 pages. \$5.00.

THE MARKETING OF CHEMICAL PRODUCTS. By Robert S. Aries and William Copulsky. Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y., 1951. 149 pages. \$3.00.

THE ECONOMICS OF THE PRINTING INK INDUSTRY. By Robert S. Aries and Anthony Nickolaus. Chemonomics, Inc., 400 Madison Avenue, New York 17, N. Y., 1950. 108 pages. \$5.00.

BUSINESS PRACTICES UNDER FEDERAL ANTI-TRUST LAWS: 1951 Symposium. Proceedings of the Third Annual Meeting, Section on Antitrust Law, New York State Bar Association. Commerce Clearing House, Inc., New York 18, N. Y., 1951. 190 pages. \$2.00.

SUCCESSFUL RETAILING: A Handbook for Store Owners and Managers. By Arthur Tremain. Harper & Brothers, New York, 1951. 363 pages. \$4.95.

THE SCHUMPETERIAN SYSTEM. By Richard V. Clemence and Francis S. Doody. Addison-Wesley Press, Inc., Cambridge 42, Mass., 1950. 117 pages. \$2.50.

DIRECTORY OF LABOR UNIONS IN THE UNITED STATES. Bureau of Labor Statistics, U. S. Dept. of Labor, Washington, D. C., 1950. For sale by the U. S. Government Printing Office, Washington 25, D. C. 67 pages. 25 cents.

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 JAMES J. NANCE, *President, Hotpoint, Inc., Chicago, Ill.*
 WILBUR H. NORTON, *Vice President, General Motors Corporation, Detroit, Mich.*
 JAMES L. PALMER, *President, Marshall Field & Company, Chicago, Ill.*
 EARL M. RICHARDS, *Vice President in Charge of Planning & Development, Republic Steel Corporation, Cleveland, Ohio.*
 ERWIN H. SCHILL,* *Department of Business and Engineering Administration, Massachusetts Institute of Technology, Cambridge, Mass.*

* Member of Executive Committee.

† Member of Finance Committee.